

No. 15638 ✓

United States
Court of Appeals
for the Ninth Circuit

KEMART CORPORATION, a Corporation,
Appellant,

vs.

PRINTING ARTS RESEARCH LABORA-
TORIES, INC., a Corporation, Appellee.

Transcript of Record

Appeal from the United States District Court for the
Southern District of California,
Central Division

FILED

SEP 13 1957

PAUL F. [illegible], CLERK



No. 15638

United States
Court of Appeals
for the Ninth Circuit

KEMART CORPORATION, a Corporation,
Appellant,
vs.

PRINTING ARTS RESEARCH LABORA-
TORIES, INC., a Corporation, Appellee.

Transcript of Record

Appeal from the United States District Court for the
Southern District of California,
Central Division

ture
rec
ter
cell
text
the

Af
Af

A
A

A
A
A

S
C
I

INDEX

[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

	PAGE
Affidavit of Henry Gifford Hardy.....	61
Affidavit of Carl Hoppe.....	58
Exhibit B—Portion of “Official Actes de la Conference Reunie a la Haye due 8 Octo- bre au 6 Novembre 1925”.....	59
Affidavit of Carl Hoppe, Reply.....	62
Amended and Supplemental Counterclaim of Defendant	14
Answer and Counterclaim.....	9
Answer to Amended and Supplemental Coun- terclaim	15
Appeal:	
Certificate of Clerk to Transcript of Record on	79
Notice of	56
Statement of Points on (USCA).....	289
Stipulation for Consideration of Previous Rec- ords on (USCA).....	292
Certificate of Clerk to Transcript of Record...	79
Findings of Fact, Conclusions of Law and Judgment	26

Motion to Amend Findings of Fact and Conclusions of Law, to Make New Findings and Conclusions and for Entry of New Judgment	32
Motion to Vacate and to Set Aside Final Judgment	56
Names and Addresses of Attorneys.....	1
Notice of Appeal	56
Order for Findings of Fact, Conclusions of Law and Judgment	20
Order on Plaintiff's Motion to Amend Findings of Fact, etc.....	55
Order on Plaintiff's Motion for Relief from Judgment	67
Petition for Declaratory Judgment.....	3
Record and Brief (Portions) filed in Supreme Court of Ohio in McCue v. Wells, No. 21,428	69
Record (Portions) filed in Court of Appeals for the Seventh Circuit in Edelmann & Co. v. Triple-A Specialty Co., No. 14,904.....	71
Reply Affidavit of Carl Hoppe.....	62
Statement of Points Appellant Intends to Rely on (USCA)	289
Stipulation That Appeals Nos. 12,948, 13,601 and 14,299 May Be Considered (USCA)....	292
Transcript of Proceedings and Testimony.....	81
Exhibits for Plaintiff:	
16—(Id.)—Appeal No. 2,876, Hearing May 29, 1945, U. S. Patent Office, Burt L. Berry	251

iii.

Transcript of Proceedings—(Continued):

Exhibits for Plaintiff—(Continued):

16A—(Id.)—Appeal No. 2,876, Request for Reconsideration	256
16B—(Id.)—Appeal from Decision Re- jecting Claims 1 to 14, inc.....	257
16C—(Id.)—Petition for Reconsideration of Decision of June 28, 1945, re Claims 9 to 14, inc.	262
34—Excerpt from The Photoengravers Bulletin for May, 1949.....	263
60—Memorandum to Kemart Licensees, Nov. 23, 1948.....	265
Admitted in Evidence.....	128
61—Letter, Harold M. Pitman Co. to Kem- art Corp., Dec. 13, 1948.....	268
Admitted in Evidence.....	112
62—Letter, Columbian Lithographing Co. to Kemart Corp., May 18, 1949.....	269
Admitted in Evidence.....	112
63—Memorandum to Kemart Licensees dated May 23, 1949.....	270
Admitted in Evidence.....	128
64—Letter, G. C. Dom Co. to Kemart Corp., May 25, 1949.....	271
Admitted in Evidence.....	112
65—Letter, The Eclipse Electrotpe & Eng. Co. to Kemart Corp., May 27, 1949..	272
Admitted in Evidence.....	112

Exhibits for Plaintiff—(Continued):

66—Letter, G. C. Dom Co. to Kemart Corp., May 27, 1949.....	273
Admitted in Evidence.....	112
67—Letter, Advertisers Engraving Co. to Kemart Corp., June 6, 1949.....	275
Admitted in Evidence	112
68—Letter, Pacific Press Inc. to Kemart Corp., June 7, 1949.....	276
Admitted in Evidence.....	112
69—Letter, Nassau Photo-Engraving Co. to Kemart Corp., June 29, 1949.....	276
Admitted in Evidence.....	112
70—Letter, Southwestern Engraving Co. to Kemart Corp., June 29, 1949.....	277
Admitted in Evidence.....	112
71—Letter, Ross & Ross to Henry A. Hardy, July 2, 1949.....	278
Admitted in Evidence.....	112
72—Letter, Graphic Arts Production Yearbook to Kemart Corp., July 18, 1949..	279
Admitted in Evidence.....	112
73—Letter, The Krus Co. to Kemart Corp., July 18, 1949.....	280
Admitted in Evidence.....	112
74—Excerpt from The Photoengravers Bulletin for June, 1950.....	282
Admitted in Evidence.....	128

v.

Transcript of Proceedings—(Continued):

Exhibits for Plaintiff—(Continued):

75—Letter, Bee Engraving to Kemart Corp., Sept. 8, 1950.....	283
--	-----

Exhibits for Defendant:

NN—Excerpt from The Photoengravers Bulletin for December, 1948.....	284
OO—(Excerpt) Editor and Publisher for April 8, 1939.....	286
RR—Copy of Letter, Albert G. McCaleb to Printing Arts Research Laboratories, Inc., October 6, 1948.....	287
Admitted in Evidence.....	177

Witnesses:

Adams, Frank P.

—direct	93, 132
—cross	135

Holsapple, Harvey T.

—direct	164
—cross	168

Marx, Walter S.

—direct	175
—cross	190
—redirect	200

Youngdahl, Lyle P.

—direct	148
---------------	-----

... ..

... ..

... ..

... ..

... ..

... ..

... ..

X

F

F

NAMES AND ADDRESSES OF ATTORNEYS

For Appellant:

CARL HOPPE,

2610 Russ Building,
San Francisco 4, California.

HENRY GIFFORD HARDY,

410 Mills Building,
San Francisco 4, California.

For Appellee:

JULIEN FRANCIS GOUX,

32 Howard-Canfield Building,
Santa Barbara, California,

LEONARD S. LYON,

LYON & LYON,

811 West Seventh Street,
Los Angeles 17, California.

In the United States District Court, Southern
District of California, Central Division

No. 8909-WM—Civil Action

KEMART CORPORATION, a Corporation,
Plaintiff,

vs.

PRINTING ARTS RESEARCH LABORA-
TORIES, INC., a Corporation,
Defendant.

PETITION FOR A DECLARATORY
JUDGMENT

Plaintiff, for its petition, alleges:

1. Plaintiff, Kemart Corporation, is a corporation duly organized and existing under and by virtue of the Laws of the State of California, and is a resident of said State having its principal place of business in the City and County of San Francisco, and State of California.

2. Defendant, Printing Arts Research Laboratories, Inc., is a corporation organized and existing under and by virtue of the Laws of the State of Delaware, which has qualified and is now qualified to do business in the State of California under the laws thereof and has a designated agent for the service of summons and other processes and proceedings in the State of California, in the City of Santa Barbara, registered with the Secretary of State for California, and is now and has been [2]

actually doing business at a regular and established place of business in said City of Santa Barbara.

3. The defendant, Printing Arts Research Laboratories, Inc., alleges itself to be the owner of the entire right, title and interest in and to the following United States Letters Patent.

Number	Patentee	Date
2,191,939	Marx	February 27, 1940
2,304,838	Marx	December 15, 1942

4. That an actual controversy exists between plaintiff and defendant in that defendant, Printing Arts Research Laboratories, Inc., has charged plaintiff, Kemart Corporation, with contributory infringement of the Letters Patent listed in Paragraph 3, and is threatening to sue plaintiff's licensees for infringement of said Letters of Patent listed in Paragraph 3 above, by the performance of plaintiff's processes known generally in the trade as the Kemart Process.

5. That this is a suit for Declaratory Judgment under Section 274-D Judicial Code, Title 28 USC 400 and the jurisdiction of this Court arises from the fact that there is diversity of citizenship of the parties hereto and that the value of rights which are here sought to be protected are in excess of \$3,000.00, exclusive of interest and costs.

6. That each of said Letters Patent enumerated in Paragraph 3 hereof is invalid and void because the applicant named therein was not the original and first inventor or discoverer of any material or

substantial part of the things patented therein, but the same were known and used by others in this [3] country prior to the alleged invention or discovery set forth therein and were patented and described in printed publication in this and foreign countries before his alleged inventions or discoveries set forth herein or more than two years prior to the application for such patent in each case and were in public use in this country for more than two years prior to such application in each case, said prior patents were printed publications and said instances of prior invention (if there be any inventions disclosed in any of the patents in Paragraph 3 hereof) prior knowledge and use which show the state of the art, being as follows:

United States Patents

Number	Patentee	Date
1,108,849	Ranck	August 25, 1914
2,008,290	Murray	July 16, 1935
2,108,503	Murray	February 15, 1938
2,224,271	Isler	December 10, 1940
2,240,945	Swaysland	May 6, 1941
2,276,718	Crosby	March 17, 1942

British Patent

Number	Patentee	Date
308,375	Masa	June 23, 1930

7. That each of said Letters Patent enumerated in Paragraph 3 hereof, is invalid and void because none of said patents discloses patentable invention over the state of the art existing at the time of the alleged invention of the things patented thereby.

8. That each of said Letters Patent enumerated in Paragraph 3 hereof, is invalid and void because the claims thereof do not particularly point out and distinctly claim the part, improvement, or combination which is claimed as the invention or discovery. [4]

9. That each of said Letters Patent enumerated in Paragraph 3 hereof is invalid and void because the patentee thereof surreptitiously or unjustly obtained said patents for that which was, it appears, the invention of another who was using reasonable diligence in adapting and perfecting the same.

10. That each of said Letters Patent enumerated in Paragraph 3 hereof, is invalid and void as claiming more than the patentee was justly entitled to, if any.

11. That the invention claimed in said Letters Patent No. 2,191,939 is substantially different from any invention indicated, suggested or described in the original application therefor.

12. Constructions, devices, supplies and methods identical with those said by defendant to infringe the Letters Patent enumerated in Paragraph 3 hereof, were freely manufactured, used, sold and licensed in the United States by plaintiff's predecessors long prior to this present controversy, and defendant well knowing of such manufacture, use, sale and licensing by plaintiff and its predecessors acquiesced therein, causing plaintiff to incur great expense in relying on such acquiescence, wherefore

defendant is estopped in equity from enforcing any right in equity against this plaintiff.

13. That plaintiff's process, known as the Kemart Process, including the devices, material, equipment and supplies used in practicing the process, which the defendant, Printing Arts Research Laboratories, Inc., charges to be infringements of [5] the Letters Patent enumerated in Paragraph 3 hereof, do not individually or collectively infringe any of said patents or any claim thereof.

14. That plaintiff nor any of its licensees, has not done any act or thing and is not proposing to do any act or thing in violation of any right belonging to defendant by virtue of any of said Letters Patent listed in Paragraph 3 hereof.

15. Upon information and belief, plaintiff alleges and states the fact to be, that defendant has circulated letters and statements that plaintiff's process, the Kemart Process, is an infringement of either or both of the Letters Patent enumerated in Paragraph 3 hereof, and that said letters and statements are circulated for the express purpose of harassing plaintiff and its licensees and destroying plaintiff's business; that by reason of such acts and doings of defendant, plaintiff is having great difficulty in doing business with respect to its processes and some prospective licensees having refused and continue to refuse to purchase and deal in plaintiff's processes until such charges and claims are eliminated, and further if a suit for infringement is filed by defendant, plaintiff's licensees will re-

quire plaintiff to furnish an indemnity bond before continuing with licenses under the Kemart Process, causing plaintiff unnecessary and burdensome expense; that plaintiff stands in immediate and grave danger of irreparable loss and damage resulting from said unlawful acts of defendant herein unless this Court shall intervene and protect it in its lawful business. [6]

Wherefore, plaintiff prays:

(a) That the Court enter a Judgment or Decree declaring that it has the right to continue to manufacture, use, sell and license the Kemart Process and the materials, devices, equipment and supplies used to practice the same, without any threats of infringement or any interference whatever by or from defendant or its successors, based upon or arising out of the ownership of said Letters Patent enumerated in Paragraph 3 hereof or any interest therein, or any claim thereof, whether directed to plaintiff or to its agents or licensees.

(b) For a Declaratory Judgment adjudging that each of the patents enumerated in Paragraph 3 hereof, are invalid and void at law and that none of said patents or any claim thereof is infringed by the Kemart Process or any of the devices, materials, equipment or supplies used to practice the same, which are now or were heretofore made, sold or licensed, and offered for license or sale by plaintiff.

(c) For plaintiff's attorney fees in connection with this action.

(d) For plaintiff's costs in this action.

(e) For a preliminary restraining order and permanent injunction enjoining the defendant, its attorneys, agents and those in active concert or participating with it, from in any way threatening suits for infringement against any of plaintiff's licensees or potential licensees, and from in any way asserting that the Kemart Process is an infringement of said patents in suit. [7]

(f) For damages resulting to plaintiff from defendant's wrongful acts and doings.

(g) For such other and further relief as this Court may deem meet and proper.

KEMART CORPORATION,

/s/ By FRANK P. ADAMS,
President.

Duly Verified. [8]

[Endorsed]: Filed November 23, 1948.

[Title of District Court and Cause.]

ANSWER AND COUNTERCLAIM

Answer

Defendant, Printing Arts Research Laboratories, Inc., answers plaintiff's petition for declaratory judgment as follows:

1.

The allegations of paragraph 1 of the petition are admitted.

2.

The allegations of paragraph 2 of the petition are admitted.

3.

Defendant is the owner of the entire right, title and interest in and to each of the Marx patents Nos. 2,191,939 and 2,304,838. [9]

4.

Defendant admits that an actual controversy exists between plaintiff and defendant with respect to patent No. 2,191,939; and defendant admits that defendant has charged plaintiff with contributory infringement of said patent No. 2,191,939; but except for these admissions defendant denies the allegations of paragraph 4 of the petition.

Further answering paragraph 4 of the petition, defendant specifically denies that any actual controversy exists between plaintiff and defendant with respect to the Marx patent No. 2,304,838; and defendant denies that defendant has ever charged plaintiff with infringement of said patent No. 2,304,838.

Further answering paragraph 4 of the petition, defendant specifically denies that it ever has threatened to sue any of plaintiff's licensees for infringement of either of the said Marx patents Nos. 2,191,939 and 2,304,838.

Further answering said paragraph 4 of the petition, defendant avers that plaintiff has failed to obey the heretofore entered order of the court to

file, as to such paragraph 4, a more definite statement as to

“(b) When, where, how (i.e., whether orally or in writing) and by whom did defendant charge plaintiff with contributory infringement of Letters Patent No. 2,304,838.

“(c) When, where, how (i.e., whether orally or in writing) and by whom, has defendant threatened to sue plaintiff’s licensees for infringement of Letters Patent No. 2,304,838.”,

and that in consequence of such disobedience, the plaintiff’s [10] petition, or at least so much thereof as relates to the Marx patent No. 2,304,838, should be stricken in accordance with Rule 12(e) of the Rules of Civil Procedure for the United States District Courts; and defendant prays that such order as the Court deems just be entered herein because of such disobedience and in accordance with such rule.

5.

The allegations of paragraph 5 of the petition are admitted.

6.

The allegations of paragraph 6 of the petition are denied.

7.

The allegations of paragraph 7 of the petition are denied.

8.

The allegations of paragraph 8 of the petition are denied.

9.

The allegations of paragraph 9 of the petition are denied.

10.

The allegations of paragraph 10 of the petition are denied.

11.

The allegation of paragraph 11 of the petition is denied. [11]

12.

Defendant, as hereinbefore admitted, has charged plaintiff with contributory infringement of the Marx patent No. 2,191,939; but except for this admission defendant denies the allegations of paragraph 12 of the petition; and defendant specifically denies that it has ever charged any "Constructions" or "devices" or "supplies" to infringe either of its patents mentioned in the petition.

13.

Answering paragraph 13 of the petition, defendant avers that the so-called "Kemart process", as practiced by various strangers to this action, infringes the Marx patent No. 2,191,939; and defendant avers that defendant has no knowledge that any user of the so-called "Kemart process" infringes the Marx patent No. 2,304,838; but except for these averments defendant denies the allegations of paragraph 13 of the petition.

14.

So far as the Marx patent No. 2,191,939 is concerned, defendant denies the allegation of paragraph

14 of the petition; so far as the Marx patent No. 2,304,838 is concerned, defendant states that it is without knowledge or information sufficient to form a belief as to the truth of the averment.

15.

The allegations of paragraph 15 of the petition are denied. [12]

16.

Further answering the petition, defendant avers that same fails to state a claim against defendant upon which relief can be granted.

Counterclaim

(1) On February 27, 1940, United States Letters Patent No. 2,191,939, titled "Photoengraving" were duly and legally issued to defendant; and since that date defendant has been and still is the owner of those Letters Patent.

(2) Plaintiff for some time past has been and still is contributorily infringing those Letters Patent by selling or otherwise vending to infringers of those Letters Patent equipment and supplies and instructions with the purpose and intent that such equipment, supplies and instructions shall be used by the purchasers thereof in practicing without right or license the method or process which the claims of those Letters Patent cover.

Wherefore, defendant demands a preliminary and final injunction against further contributory infringement by plaintiff and those controlled by

plaintiff, an accounting for profits and damages, and an assessment of costs against plaintiff.

/s/ JULIEN FRANCIS GOUX,
Attorney for Defendant.

/s/ ALBERT G. McCALEB,
Of Counsel for Defendant. [13]

Duly Verified. [14]

Affidavit of Service by Mail attached. [15]

[Endorsed]: Filed March 4, 1949.

[Title of District Court and Cause.]

DEFENDANT'S AMENDED AND SUPPLEMENTAL COUNTERCLAIM

1. On February 27, 1940, United States Letters Patent No. 2,191,939, titled "Photoengraving" were duly and legally issued to defendant; and since that date defendant has been and still is the owner of those Letters Patent.

2. Plaintiff for some time past has been and still is (a) directly infringing those Letters Patent, and particularly claims 1, 2, 3, 4, 6, 8, 9, 10, 11 and 12 thereof, by and in the making of halftone negatives that are free of screen pattern in the highlight areas thereof, and (b) contributorily infringing those Letters Patent, and particularly claims 1, 2, [100] 3, 4, 6, 8, 9, 10, 11 and 12 thereof, by selling or otherwise vending to infringers of those Letters Patent equipment and supplies and instructions with the purpose and intent that such equipment,

supplies and instructions shall be used by the purchasers thereof in practicing without right or license the method or process which said claims of those Letters Patent cover.

Wherefore, defendant demands a preliminary and final injunction against further contributory infringement by plaintiff and those controlled by plaintiff, an accounting for profits and damages, and an assessment of costs against plaintiff.

/s/ JULIEN FRANCIS GOUX,
Attorney for Defendant.

/s/ ALBERT G. McCALEB,
Of Counsel for Defendant. [101]

Affidavit of Service by Mail attached. [102]

[Endorsed]: Filed October 24, 1949.

[Title of District Court and Cause.]

PLAINTIFF'S ANSWER TO DEFENDANT'S
AMENDED AND SUPPLEMENTAL
COUNTERCLAIM

Plaintiff, Kemart Corporation, answers defendant's amended and supplemental counterclaim, as follows:

I.

The allegations of paragraph (1) of the alleged amended and supplemental counterclaim are denied, except that the ownership of Patent No. 2,191,939 by defendant is admitted.

II.

The allegations of paragraph (2) of the alleged amended and supplemental counterclaim are denied.

III.

That said Letters Patent No. 2,191,939 are invalid and void because the applicant named therein was not the [106] original and first inventor or discoverer of any material or substantial parts of the things patented therein, but the same were known and used by others in this country prior to the alleged invention or discovery set forth therein and were patented and described in printed publications in this and foreign countries before his alleged invention or discovery as set forth therein, or more than two years prior to the application for such patent, and was in public use in this country for more than two years prior to such application, said prior patents and printed publications and instances of prior invention, (if there be any invention disclosed in said patent) prior knowledge and use which show the state of the art, being as follows:

United States Patents

Number	Patentee	Date
506,109	Gerland	Oct. 3, 1893
1,108,849	Ranck	Aug. 25, 1914
2,008,290	Murray	July 16, 1935
2,108,503	Murray	Feb. 15, 1938
2,224,271	Isler	Dec. 10, 1940
2,240,945	Swaysland	May 6, 1941
2,276,718	Crosby	Mar. 17, 1942

British Patent

Number	Patentee	Date
308,375	Masa	June 23, 1930

Publications

(a) U. S. Letters Patent No. 506,109, issued October 3, 1893, to F. J. M. Gerland, entitled "Half-Tone Negative for Photo Process."

(b) "Ultra-Violet Photography" published and distributed by General Electric Vapor Lamp Co., Hoboken, New Jersey, June 24, 1936.

(c) "Introduction to Theoretical Physics," Arthur Haas, [107] published by D. Van Nostrand Company, New York, N. Y. 1928. Second Edition, Vol. I, Title page and pages 270 to 273 inclusive.

(d) "Reference Book of Inorganic Chemistry," W. M. Latimer and J. H. Hildebrand, published by the MacMillan Company, New York, N. Y. 1930, Title page and page 360.

(e) "Van Nostrand's Scientific Encyclopedia," published by D. Van Nostrand Company, Inc., New New, N. Y. 1938, Title page, copyright notice, and page 692.

(f) "Modern Inorganic Chemistry," J. W. Mellor, published by Longmans, Green and Co., New York, N. Y. 1930, Title page and page 325.

IV.

That said Letters Patent is invalid and void because it does not disclose a patentable invention over the state of the art existing at the time of the alleged invention of the things patented therein.

V.

That said Letters Patent is invalid and void because the claims thereof do not particularly point out and distinctly claim the parts, improvement, or combination which is claimed as the invention or discovery.

VI.

That said Letters Patent is invalid and void because the Patentee surreptitiously or unjustly obtained said patent for that which was, as it appears, the invention of another.

VII.

That said Letters Patent is invalid and void as [108] claiming more than the Patentee was justly entitled to, if any.

VIII.

Then by reason of the proceedings that were taken in the United States Patent Office in the prosecution of the application for said Letters Patent, the Patentee thereof, his legal representatives or assigns, is estopped from maintaining the same in such scope as to cover or embrace any process or apparatus or product which the defendant may have made, used or sold, or which it is now making, using or selling.

IX.

Constructions, devices, supplies and methods identical with those alleged to be contributorily infringed and the Kemart Process which is likewise alleged to infringe Marx Patent No. 2,191,939 were freely manufactured, used, sold and licensed in the

United States by Plaintiff's predecessors long prior to said counterclaim, all of which was fully known to defendant, and defendant as early as May 4, 1943 sent a Notice of Infringement of the said Marx patent, to plaintiff's predecessors because of such manufacture, use, sale and license as stated above, threatening suit; the plaintiff's predecessors in spite of such notice, denied such infringement and continued such manufacture, use, sale and licensing and has done so continuously since May 4, 1943 up to the time plaintiff was organized; that in spite of this threat by defendant, no suit was filed by defendant against plaintiff or any of its predecessors, or any licensee of them prior to the counterclaim filed herein March 4, 1949; that because of this long delay and apparent acquiescence by defendant and in reliance thereon, plaintiff entered upon the present commercialization of the Kemart Process and has incurred great expense and undertaken fundamental obligations in connection [109] therewith, which it would not have incurred or undertaken had defendant not acquiesced in such manufacture, use, sale and licensing, wherefore defendant is estopped in equity from enforcing any right, against this plaintiff.

Wherefore, plaintiff prays that the alleged amended and supplemental counterclaim be dismissed with prejudice, and with costs and reasonable attorney's fees to plaintiff.

/s/ HENRY GIFFORD HARDY,
Attorney for Plaintiff,
Kemart Corporation.

October 28, 1949.

Certificate of Mailing attached. [110]

[Endorsed]: Filed October 29, 1949.

[Title of District Court and Cause.]

ORDER FOR FINDINGS OF FACT, CONCLUSIONS OF LAW, AND JUDGMENT

There having been a further trial of the issues involving plaintiff's claim for damages for alleged trade libel, and for attorneys' fees, in keeping with the mandate of the Court of Appeals [see *Kemart Corporation v. Printing Arts Research Laboratories, Inc.*, 232 F. 2d 897 (9th Cir. 1956)], and the cause having been again submitted for decision; and it appearing to the court that:

(1) jurisdiction is conferred by 28 U.S.C. §1332;

(2) the conflict-of-laws rules of California are applicable [*Erie R. R. v. Tompkins*, 304 U.S. 64 78 (1938); see also *Klaxon v. Stentor Electric Mfg. Co.*, 313 U.S. 487 (1941); *Griffin v. McCoach*, 313 U.S. 498 (1941); *American Well Works v. Layne & Bowler Co.*, 241 U.S. 257 (1916)]; [4]*

(3) under California law, a tort action is governed by the law of the place where the tort was committed [*Loranger v. Nadeau*, 215 Cal. 362, 10 P. 2d 63, 65 (1932); *Wallan v. Rankin*, 173 F. 2d 488, 490 (9th Cir. 1949)];

* Page numbers appearing at top of page of Original Transcript of Record.

(4) "The legal principles constituting the law of libel or slander are the same whether corporations or individuals are involved." [Maytag Co. v. Meadows Mfg. Co., 45 F. 2d 299, at 302 (7th Cir. 1930), cert. denied, 283 U.S. 843 (1931)];

(5) libelous statements reasonably certain to jeopardize a party's reputation in respect to his business, ability to do business, or methods of doing business, are held in Ohio to be actionable per se [see, e.g. International Text-Book Co. v. Leader Printing Co., 189 Fed. 86 (N. D. Ohio 1910); Cincinnati Street Ry. v. Cincinnati Daily Tribune Co., 1 Ohio Dec. 281 (1900); Watson v. Trask, 6 Ohio 532 (1834); see also Hatchard v. Mege, 18 Q.B.D. 771 (1887)];

(6) since publication of a false charge of patent infringement is likely to prevent others from engaging in business dealings with the alleged infringer, such a publication is a tort under Ohio law in the nature of a trade libel, or unfair competition, and the injured party may recover actual damages, namely, his business losses resulting from the publication and the expenses involved in clearing up the infringement charge [International Industries & Developments, Inc. v. Farbach Chemical Co., ——— F. Supp. ———, 110 U.S.P.Q. 361, 363 [5] (S. D. Ohio 1956); accord: Neville v. Higbie, 130 Cal. App. 607, 20 P. 2d 348 (1933); Hanson v. Hall Mfg. Co., 194 Iowa 1213, 190 N.W. 967 (1922); McGuinness v. Hargiss, 56 Wash. 162, 105 Pac. 233, 234 (1909); E. Edelmann & Co. v. Triple-A Spe-

cialty Co., 88 F. 2d 852 (7th Cir.), cert. denied, 300 U.S. 680 (1937); *Erick Bowman Remedy Co. v. Jensen Salsbery Laboratories, Inc.*, 17 F. 2d 255, 257-62 (8th Cir. 1926); Restatement, Torts §§ 573 comment g, 624, 647, 773 (1938, 1939); Prosser, Torts § 108, (rev. ed. 1955); *Developments in the Law-Defamation*, 69 Harv. L. Rev. 875, 878-88 (1956)];

(7) recognizing nonetheless an owner's claim of right to protect his interests from invasion, the law of Ohio accords a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge to be true and was not prompted by malice, but acted solely in defense of his patent [*Henry Gehring Co. v. McCue*, 23 Ohio App. 281, 154 N.E. 171, 172 (1926); *Oil Conservation Engineering Co. v. Brooks Engineering Co.*, 52 F. 2d 783, 785-87 (6th Cir. 1931); *Alliance Securities Co. v. DeVilbiss Mfg. Co.*, 41 F. 2d 668, 670-71 (6th Cir. 1930); *International Industries & Developments, Inc. v. Farbach Chemical Co.*, supra, 110 U.S.P.Q. 361; accord: *Cal. Civ. Code* § 47 (3); *Swift & Co. v. Gray*, 101 F. 2d 978, 979-80 (9th Cir. 1938); 35 U.S.C. §§ 287, 271(c); see also: *Virtue v. Creamery Package Mfg. Co.*, 123 Minn. 17, 142 N.W. 1136 (1913); *Metro-Goldwyn-Mayer Corp. v. Fear*, [6] 104 F. 2d 892, 899-900 (9th Cir. 1939); *American Ball v. Federal Cartridge Corp.*, 70 F. 2d 579, 581, 582 (8th Cir. 1934); *Asbestos Shingle, Slate & Sheat-*

ing Co., v. H. W. Johns-Manville Co., 189 Fed. 611, 613 (S. D. N. Y. 1911); Emack v. Kane, 34 Fed. 46 (N. D. Ill. 1888)];

(8) here defendant believed that the patent covering its process was valid and was being infringed by plaintiff's process, and this belief did not result from careless ascertainment of defendant's patent rights, but was based upon the opinion of experienced, although interested, patent counsel;

(9) defendant's charge of patent infringement, later determined to be false, was published originally in Ohio and subsequently in a trade magazine of nation-wide circulation, in response to plaintiff's publications denying patent infringement, and for the purpose and with the intent on the part of defendant to defend its own patent interests rather than to injure plaintiff's business;

(10) defendant's publications were directed to the same interested persons to whom plaintiff's publications were directed, namely: a consultant to persons in the photo-engraving field; possible infringers and contributory infringers; and the executive secretary of the trade association, having an official interest in conflicts among members;

(11) defendant's out-of-court publications of the false claim of patent infringement were thus made to interested persons without malice, at a [7] time when defendant reasonably and in good faith believed the claim to be true, and so must be held to have been privileged;

(12) where, as at bar, defamatory allegations in pleadings are relevant and material to the claim

or cause of action or defense asserted, such allegations are unqualifiedly privileged [Cal. Civ. Code § 47; *Gosewisch v. Doran*, 161 Cal. 511, 119 Pac. 656, 657-58 (1911); accord: *Buehrer v. Provident Mut. Ins. Co.*, 123 Ohio St. 264, 175 N.E. 25, 28 (1931)];

(13) defendant may now assert the defense of privilege, even though not expressly pleaded, since, "when issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings." [Fed. R. Civ. Proc., Rule 15(b); *Tillman v. National City Bank*, 118 F. 2d 631, 635 (2d Cir. 1941)];

(14) "The court in exceptional [patent] cases may award reasonable attorneys' fees to the prevailing party" [35 U.S.C. § 285];

(15) "exceptional cases" are those in which "unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, * * * makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear." [*Park-in-Theatres, Inc. v. Perkins*, 190 F. 2d 137, 142 (9th Cir. 1951)];

(16) the two-day delay on the part of one of the defendant's officers in answering questions upon deposition was not due to bad faith, and moreover did not injure plaintiff;

(17) misrepresentation of the scientific background of one of defendant's witnesses, while to be deplored, cannot be said to have been a matter

of any consequence in the prosecution or defense on the merits;

(18) the state of the prior art was not materially misrepresented by defendant;

(19) the amount of the supersedeas bond and the form of the injunction restraining plaintiff were determined, not by defendant, but by the court; and

(20) inasmuch as defendant's conduct before, during, and after the trial of this case was actuated by a reasonable belief in good faith that plaintiff's process was an infringement of defendant's patented process, attorneys' fees should not be awarded [*Merrill v. Builders Ornamental Iron Co.*, 197 F. 2d 16 (10th Cir. 1952); *Park-In-Theatres, Inc. v. Perkins*, supra, 190 F. 2d 137; cf: *Shingle Product Patents, Inc. v. Gleason*, 211 F. 2d 437 (9th Cir. 1954); *Russell Box Co. v. Grant Paper Box Co.*, 203 F. 2d 177, 183 (1st Cir. 1953); *E. V. Prentice Co. v. Associated Plywood Mills, Inc.*, 113 F. Supp. 182, 187-88 (D. Ore. 1953); *Algren Watch Findings Co. v. Kalinsky*, 91 U.S.P.Q. 369 (S. D. N. Y. 1951), aff'd, 197 F. 2d 69, 72 (2d Cir. 1952); *Falkenberg v. Bernard Edward Co.*, 85 U.S.P.Q. 127 (N. D. Ill. 1950)]; [9]

Findings of fact, conclusions of law and judgment on plaintiff's claims to damages for alleged trade libel, and to an award of attorneys' fees, are Ordered in favor of defendant and against plaintiff, to be settled pursuant to local rule 7, each party to bear its own costs.

It Is Further Ordered that the Clerk this day

forward copies of this order by United States mail to the attorneys for the parties appearing in this cause.

November 5, 1956.

/s/ WM. C. MATHES,

United States District Judge. [10]

[Endorsed]: Filed November 5, 1956.

In the United States District Court, Southern
District of California, Central Division

No. 8909-WM—Civil

KEMART CORPORATION, a Corporation,
Plaintiff,

vs.

PRINTING ARTS RESEARCH LABORA-
TORIES, INC., a Corporation,
Defendant.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND JUDGMENT

There having been a further trial of the issues involving plaintiff's claim for damages and for attorneys' fees, in keeping with the mandate of the Court of Appeals [see *Kemart Corporation v. Printing Arts Research Laboratories, Inc.*, 232 F. 2d 897 (9th Cir. 1956)], the Court having reserved trial of the issue of the amount of damages until after a ruling on the question of liability has been made; the cause having been again submitted for

decision; and it appearing to the Court that findings of fact, conclusions of law and judgment on plaintiff's claims to damages, and to an award of attorneys' fees should be ordered in favor of defendant and against plaintiff, the Court hereby enters the following findings [11] of fact, conclusions of law and judgment:

Findings of Fact

1-A. Plaintiff, Kemart Corporation, is a California corporation and defendant, Printing Arts Research Laboratories, Inc., is a Delaware corporation.

1-B. The amount in controversy exceeds the sum or value of \$3,000.00, exclusive of interest and costs.

1-C. At all times between June of 1947 and the present date, plaintiff and defendant have been competitors with one another in their respective businesses of granting licenses under their respective processes, i.e., the "Kemart Process" of plaintiff and the "Fluorographic Process" of defendant.

1-D. Prior to commencement of the above entitled action, [12] defendant reasonably believed that Marx United States Letters Patent No. 2,191,939 was valid and that it was infringed by the process of plaintiff.

2. This belief was based upon the opinion of experienced, although interested, patent counsel and not upon careless ascertainment of defendant's patent rights.

3. Prior to commencement of the above entitled action, defendant showed to plaintiff, in Ohio, a letter [Exhibit RR] from defendant's patent counsel charging that plaintiff's process infringed defendant's patent, which charge was later determined to be false.

4. After seeing the aforesaid letter, plaintiff itself published the charge of infringement in Ohio and subsequently caused the charge to be published in a trade magazine of nation-wide circulation wherein the infringement was denied and defendant was accused of wrongful conduct.

5. In response to plaintiff's publication in Ohio, defendant there published the charge of infringement and also published the charge in the aforesaid trade magazine in response to plaintiff's prior publication.

6. The publications by defendant were for the purpose and with the intent on the part of defendant to defend its own patent interests, rather than to injure plaintiff's business.

7. Defendant's publications were directed to the same interested persons to whom plaintiff's publications were directed, namely a consultant to persons in the photo-engraving field; possible infringers and contributory infringers; and the Executive Secretary of the photo-engraving trade association having an official interest in conflicts among members.

8. Defendant's out-of-court publications of the

charge of infringement, since determined to be false, were made at a time when defendant reasonably believed the charge to be true, and were made in good faith and without malice, and were made to interested persons. [13]

9. In pleading to the complaint filed by plaintiff in the above entitled action, defendant alleged that plaintiff's process infringed defendant's patent; such allegation was relevant and material to the cause of action and to the defense asserted by defendant.

10. A two-day delay on the part of one of defendant's officers in answering questions upon deposition was not due to bad faith and did not injure plaintiff.

11. A misrepresentation by defendant's only witness as to his scientific background was a matter of no material consequence either in the prosecution or the defense on the merits of the above entitled action.

12. Defendant did not materially misrepresent the state of the prior art.

13. Defendant did not determine the amount of the supersedeas bond or the form of the injunction restraining plaintiff following the trial; these determinations were made by the Court.

14. The instant case was not an exceptional case and defendant's conduct before, during and after the trial of the case evidenced no unfairness or bad faith; such conduct was actuated by a reason-

able belief in good faith that plaintiff's process was an infringement of defendant's patent.

15. Neither the conduct of the defendant nor any other equitable consideration makes it grossly unjust that the winner of this patent law suit be left to bear the burden of its own counsel fees, which prevailing litigants normally bear.

Conclusions of Law

1. Jurisdiction of the above entitled case is conferred by 28 U.S.C. § 1332.

2. The conflict-of-laws rules of California are applicable. [14]

3. Under California law, a tort action is governed by the law of the place where the tort is committed.

4. The legal principles constituting the law of libel or slander are the same, whether corporations or individuals are involved.

5. Ohio law provides that publication of a false charge of patent infringement is a tort in the nature of a trade libel or unfair competition, since such charge is likely to prevent others from engaging in business dealings with the alleged infringer, and that the injured party may recover its actual damages.

6. Ohio law recognizes, however, that a patentee may publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably

and in good faith believes the charge of infringement to be true and was not prompted by malice but acted solely in defense of his patent; such a publication is qualifiedly privileged, and defendant's good faith and absence of malice constitutes a complete defense to plaintiff's claim of unfair competition or trade libel.

7. Allegations in pleadings which are relevant and material to the claim or cause of action or defense asserted are unqualifiedly privileged.

8. Issues not raised by the pleadings, but tried by express or implied consent of the parties, shall be treated in all respects as if they had been raised in the pleadings and defendant may now assert the defense of privilege, even though not expressly pleaded.

9. The Court in exceptional patent cases may award reasonable attorney's fees to the prevailing party.

10. Exceptional cases are those in which [15] "unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, * * * makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees which prevailing litigants normally bear." *Park-In-Theatres, Inc. v. Perkins*, (9 Cir. 1951), 190 F. 2d 137, at pg. 142.

11. Attorney's fees should not be awarded herein.

Judgment

In accordance with the foregoing Findings of

Fact and Conclusions of Law, it is Ordered, Adjudged and Decreed:

1. That this Court has jurisdiction over plaintiff's claim for damages for unfair competition or trade libel.

2. That plaintiff take nothing by said claim and that said claim be dismissed.

3. That plaintiff receive no award of attorney's fees.

4. That each party shall bear its own costs in respect to proceedings subsequent to the last issued mandate of the Court of Appeals for the Ninth Circuit.

December 19, 1956.

/s/ WM. C. MATHES,

United States District Judge. [16]

Affidavit of Service by Mail attached.

[Endorsed]: Filed December 19, 1956.

[Title of District Court and Cause.]

MOTION TO AMEND FINDINGS OF FACT
AND CONCLUSIONS OF LAW, TO MAKE
NEW FINDINGS AND CONCLUSIONS
AND FOR THE ENTRY OF A NEW
JUDGMENT

Plaintiff moves the Court, under Rules 52(b) and 59(a) & (e) of the Federal Rules of Civil Procedure, to amend and to supplement its Findings of Fact, Conclusions of Law and Judgment, heretofore filed, in the following particulars:

I. Change Finding 1-C to Finding 1-D and after Finding 1-B add the following Finding:

1-C. At the time the complaint was filed herein, there was an actual controversy between the parties relating to U. S. Letters Patent No. 2,191,939, for [19] Photoengraving, issued on February 27, 1940 to Walter S. Marx, Jr., Assignor to Printing Arts Research Laboratories, Inc., defendant herein, e.g., whether or not the so-called Kemart process did or did not infringe said Marx patent No. 2,191,939 and whether or not plaintiff did or did not contributorily infringe said Letters Patent.

II. Amend and supplement Findings of Fact Nos. 1-D, 2 to 8, both inclusive, and 10 to 12, both inclusive, to read as follows, and number them accordingly:

Plaintiff's Business:

2. The Kemart process is described in U. S. Letters Patent No. 2,395,985 for Halftone High-light Process issued on March 5, 1946 to Burt L. Berry, Assignor to Burt L. Berry and Lyle P. Youngdahl; in U. S. Letters Patent No. 2,395,986 for Halftone Dropout Process issued on March 5, 1946 to Burt L. Berry, Assignor to Burt L. Berry and Lyle P. Youngdahl; in an article entitled "The Kemart Process—What It Is—What It Means to Industry" by Frank P. Adams, published in the Photoengravers Bulletin for July, 1947; in an article entitled "More Business with Kemart" by J. S. Mertle published in the Photo-

engravers Bulletin for January, 1948; and in certain literature in evidence as plaintiff's exhibits 20, 21, 22, 23, 24, 25 and defendant's exhibit E.

3. Plaintiff, since April, 1947, has been, and still is a licensee under said Berry patents, Nos. 2,395,985 and 2,395,986. [20]

4. Plaintiff, since June, 1947, has been, and still is engaged in the business of granting and renewing and servicing licenses to photoengravers and lithographers throughout the United States under said Berry patents Nos. 2,395,985 and 2,395,986.

5. The licenses which plaintiff has granted to its photoengraver licensees in the course of its business aforesaid have been in accordance with the printed forms E-47-A and PN-49 in evidence as defendant's exhibits A and B. Said licenses provided, among other things, that plaintiff agreed to protect its licensees from all liability by reason of the use of the licensed patents under the license agreements.

Defendant's Business:

6. The "Fluorographic Process" is described in said Marx patent No. 2,191,939 and in certain literature in evidence as plaintiff's exhibits 26 and 27 and defendant's exhibits OO and PP.

7. Defendant, since 1940 has been, and still is, the owner of said Walter S. Marx, Jr., patent No. 2,191,939.

8. Defendant, since 1940 has been, and still is,

engaged in the business of granting and renewing and servicing licenses to photoengravers and lithographers throughout the United States under said Marx patent No. 2,191,939.

Defendant's Original Defamations and Threats:

9. On October 6, 1948, one Albert G. McCaleb, a Chicago, Illinois patent lawyer, prepared a written opinion addressed to defendant, charging [21] plaintiff and plaintiff's process with infringing the Marx patent 2,191,939. Said opinion was received in evidence as defendant's exhibit RR.

10. Said opinion of October 6, 1948 contained the following statements which are false in fact, and which were false in fact when made:

(a) Anyone who practices the Kemart process infringes several claims of your patent aforesaid;

(b) The Kemart Corporation, sponsor of the Kemart process, is contributorily infringing said patent * * * ;

(c) The Kemart process * * * is but a variation of the fluorographic process as disclosed in your subject patent * * * a variation of the fluorographic process which plainly falls within and is covered by a number of the patent claims; and

(d) Even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart process would still infringe your herein discussed patent, and more particularly claim 12 thereof * * *.

11. A comparison of the Kemart process with

the process of said Marx patent No. 2,191,939 discloses that the Kemart process involves use of a different kind of copy, a different kind of dot eliminating light, the wholly different phenomenon of fluorescence, and a different kind of photography. These differences go to every feature of the Marx process alleged to be novel. [22]

12. On October 7, 1948 while at the national convention of the American Photoengravers Association, held at the Statler Hotel in Cleveland, Ohio, Walter S. Marx, Jr., in the presence of William J. Pensinger, exhibited said opinion of October 6, 1948 individually to Frank P. Adams; J. S. Mertle; H. B. Latimer; Louis Flader, and Paul Schmidt. He also showed the letter to Mr. Frey.

13. On October 7, 1948, Frank P. Adams discussed the letter of October 6, 1948 with J. S. Mertle at luncheon, but there is no evidence that he ever discussed it with any third party prior to suit.

14. At the time of the preparation and exhibition of said opinion of October 6, 1948 as aforesaid:

(a) Albert G. McCaleb was the president and a director of, as well as patent counsel for defendant;

(b) Walter S. Marx, Jr., was the patentee of the patent in suit, as well as the vice-president in charge of research, the treasurer, a director and the largest stockholder of defendant;

(c) William J. Pensinger was the vice-president in charge of sales efforts and a director of defendant;

(d) Mr. Frey was a salesman for defendant;
(e) Frank P. Adams and J. S. Mertle were respectively president and technical advisor of plaintiff; [23]

(f) Louis Flader was the executive secretary and an ex-Commissioner of the American Photoengravers Association, he was the leading figure in the entire Association, and he was an author of text books in the graphic arts field; and

(g) H. B. Latimer and Paul Schmidt were both representatives of the Harold M. Pitman Company, which was the largest distributor of graphic arts supplies in the world and which was a distributor of Kemart supplies furnished by plaintiff and Fluorographic supplies furnished by defendant.

15. Shortly after the aforementioned convention, Walter S. Marx, Jr., instructed patent counsel for defendant to obtain proof of infringement and other information prerequisite to the filing of a suit for direct infringement against some one representative user of the "Kemart" process.

16. Thereafter, on November 10, 1948, Albert G. McCaleb sent a letter directly to Kemart Corporation repeating verbatim the contents of the October 6, 1948 letter and threatening suit against a representative user of the Kemart process just as soon as certain prerequisite information could be obtained. Said letter is in evidence as plaintiff's exhibit 29.

17. On November 23, 1948 plaintiff commenced the instant action.

18. Immediately after filing the complaint in this action, plaintiff sent to each of its licensees a [24] letter containing plaintiff's response to defendant's charges and referring to the filing of the instant suit. Said letter is in evidence as plaintiff's exhibit 60.

19. Thereafter, plaintiff caused said letter to be published in The Photoengravers Bulletin for December, 1948, as appears from defendant's exhibit NN.

20. None of the statements contained either in said letter (plaintiff's exhibit 60) or in the publication of said letter in The Photoengravers Bulletin (defendant's exhibit NN) was false.

Defendant's Subsequent Defamations in Pleadings and Publications:

21. On March 4, 1949 defendant filed its answer and a counterclaim against plaintiff averring that the so-called "Kemart Process," as practiced by various strangers to this action, infringes the Marx patent No. 2,191,939 and averring further that plaintiff contributorily infringes those letters patent by selling or otherwise vending to infringers of those letters patent equipment and supplies and instructions with the purpose and intent that such equipment, supplies and instructions shall be used by the purchasers thereof in practicing without right or license the method or process which the claims of said Marx patent, No. 2,191,939, cover.

22. During the pendency of this action, defend-

ant caused to be published in The Photoengravers Bulletin for May, 1949, an advertisement and an article in evidence as plaintiff's exhibit 34, said advertisement and article being incorporated in this Finding by reference. [25]

23. The following statements appearing in said advertisement and article are false in fact and were false in fact at the time they were made:

(a) "Kemart licensees liable to lawsuit";

(b) "Any maker of half-tone negatives from wash drawings by the Kemart Process is liable to suit for direct infringement of the Marx patent No. 2,191,939"; and

(c) "* * * our competitor * * * has simulated our patented process * * *."

24. Said advertisement and article also contained the following threats of litigation:

(a) "For the protection of licensees of the Fluorographic Process, and in its own interest, Printing Arts Research Laboratories, Inc., publicly announces its intention to file such a suit as soon as possible"; and

(b) "A suit for direct infringement will be instituted against a Kemart licensee very promptly."

25. Said advertisement admitted that defendant's conduct was at least in part "for the protection of licensees of the fluorographic process." [26]

Plaintiff's Proofs on Malice:

26. In support of its contention that the acts of defendant were malicious, plaintiff proved the following facts:

(a) The charges that plaintiff infringed said Marx patent and the charge that the plaintiff's process infringed the Marx patent were false in fact and in law;

(b) Defendant accompanied its charges of patent infringement by threatening suit against plaintiff and against a representative user or licensee of the Kemart Process;

(c) Plaintiff and defendant were business competitors;

(d) Walter S. Marx, Jr., knew at all times between August 31, 1939 and the date of defendant's publications and the filing of defendant's counterclaim herein that he had cancelled from the patent application leading up to the issuance of the patent in suit his application claim 25 and that the issuance of his patent followed his cancellation of said claim 25. Although the Kemart process was not then in being, said claim 25 would have covered literally the Kemart process and all phases thereof without application of the doctrine of equivalents;

(e) Although defendant had on May 4, 1943 [27] charged with infringement the Glo-Brite Co., a predecessor of plaintiff in the business of licensing under the procedures later described in the Berry patents, defendant did not commence any action to test the question of infringement of the Kemart process for almost six years, e.g., until it filed its counterclaim herein on March 4, 1949;

(f) Although defendant had on October 6, 1948 charged plaintiff with infringement and had again charged the Kemart process with infringement,

defendant did not commence any action against plaintiff to test the question of infringement by plaintiff for almost five months, e.g., until it filed its counterclaim herein on March 4, 1949;

(g) At the time of the publications complained of, Walter S. Marx, Jr., knew of the issuance of the Berry patents Nos. 2,395,985 and 2,395,986;

(h) In issuing said Berry patents Nos. 2,395,985 and 2,395,986, the Commissioner of Patents, speaking through the Board of Appeals, held specifically that the Kemart copy therein described was not an equivalent of the copy disclosed in said Marx patent No. 2,191,939 and that the Kemart process therein disclosed was not an equivalent of the process disclosed in said Marx patent No. 2,191,939;

(i) At all times up to and including the publication of the October 6, 1948 letter, the filing of the counterclaim herein, and the publication of the [28] May, 1949 advertisement and article in *The Photoengravers Bulletin*, Walter S. Marx, Jr., the only witness for defendant, had never seen what purported to be Kemart copy and he was of the erroneous belief that Kemart copy reflected ultra-violet light from its highlighted areas, defendant introduced no evidence that any one else associated with defendant had at the time of the publication an accurate understanding of plaintiff's process, and two of defendant's officers and directors had admitted that prerequisite information for filing suit was lacking.

(j) Walter S. Marx, at his deposition on April

2, 1949 preceding the trial, refused to answer certain deposition questions; plaintiff was required to bring a motion under Rule 37 to compel answers; and only then did defendant's counsel stipulate that all questions propounded to Marx would be answered upon the resumption of depositions which took place on May 10 and 11, 1949;

(k) In June of 1950, during the pendency of this litigation, defendant caused another article concerning litigation involving the Kemart process to be published in *The Photoengravers Bulletin*, reference being made to plaintiff's exhibit 74;

(l) At the trial of the case in October of 1950, defendant offered no evidence whatsoever tending to show that plaintiff "simulated" the defendant's process; defendant offered no evidence tending to show that the process licensed under the Berry [29] patent No. 2,395,985 was an infringement of said Marx patent No. 2,191,939; defendant introduced no evidence whatsoever tending to prove that the steps in the Kemart Process were known equivalents in the particular art here concerned when Marx obtained his patent; defendant offered no evidence to support its contention that ultraviolet reflective and fluorescent photography were known equivalents in the photoengraving art; defendant misrepresented the scientific background of Walter S. Marx, its only witness; and defendant misrepresented the state of the prior art;

(m) In affidavits which defendant filed in this litigation during post trial proceedings, defendant accused that plaintiff's licensor "Burt Berry put

together and concocted his superficial and colorable variation of the Marx process"; defendant accused that an affidavit of Frank P. Adams "is nothing more than a scurrilous attack in keeping with the tactics in general of said Frank P. Adams throughout the course of the above entitled litigation pursued by him in the hope of bludgeoning or coercing Printing Arts Research Laboratories, Inc., and Walter S. Marx into working out some compromise settlement with plaintiff corporation"; defendant admitted that defendant itself "had insisted upon the granting by plaintiff to defendant corporation of a number of extremely valuable rights and privileges" in addition to payment of the sum of \$50,000.00 as a condition to the settlement of the litigation; and defendant expressed the view, after defendant's initial victory in the trial court, that "plaintiff were best straightway and without [30] further ado * * * and forthwith forced into bankruptcy" if it could not raise a substantial supersedeas bond; and

(n) After entry of final judgment and the issuance of an injunction against the plaintiff and during the pendency of Appeal No. 12,948, defendant opposed a modification of the injunction so as to permit plaintiff to use a form of light containing substantial quantities of visible light for the purpose of illuminating the subject. [See Appeal No. 13,601.]

Defendant's Proofs in Justification:

27. In alleged justification of its defamations, defendant proved the following facts:

III. Change the numbers of Findings 9 and 13 to subdivisions (a) and (b) under new paragraph No. 27.

IV. Amend and supplement Findings of Fact Nos. 14 and 15 to read as follows and number accordingly:

Fact Conclusions as to Malice and Good Faith:

28. Defendant's conduct before, during and after the trial of the case evidenced that defendant did not have prerequisite information that the plaintiff or the Kemart process infringed the Marx patent in suit at the time that it first published the charges of infringement or at the time it filed its counterclaim herein; defendant never did produce any evidence at the trial that the Kemart process did in fact or in law infringe the Marx patent in suit; and defendant's conduct during and after the trial of this case evidenced ill will toward plaintiff. [31]

29. The conduct of the defendant and the other equitable considerations set forth in these Findings of Fact make it grossly unjust that plaintiff should be left to bear the burden of its own counsel fees, which prevailing litigants normally bear.

30. This case is an exceptional patent case.

V. Amend and supplement Conclusions of Law 1, 5 and 6 to state and number them 1, and 5 to 15, both inclusive, as follows:

1. Jurisdiction of this court is conferred by

Title 28 USC 1332, as well as by Title 28 USC, Sections 1338, 2201 and 2202.

5. The alleged tort here committed is governed by the law of Ohio.

6. Libelous statements reasonably certain to jeopardize a party's reputation in respect to his business, ability to do business, or methods of doing business, including a false charge of patent infringement, are held in Ohio to be actionable per se.

7. The publication of the October 6, 1948 letter at the Cleveland, Ohio, Photoengravers Convention and the publication of the advertisement and article in the May, 1949 issue of The Photoengravers Bulletin were defamatory and libelous per se.

8. Since publication of a false charge of patent infringement is likely to prevent others from [32] engaging in business dealings with the alleged infringer, such a publication is a tort under Ohio law in the nature of a trade libel, or unfair competition, and the injured party may recover actual damages, namely, his business losses resulting from the publication and the expenses involved in clearing up the infringement charge.

9. Where published words actionable per se, including words charging patent infringement, are false, the Ohio law infers malice and where their natural tendency is to injure, the Ohio law presumes damages.

10. Where a plaintiff seeks damages arising from the publication of a charge of patent infringement, under the law of Ohio:

(a) existence of actual malice and absence of good faith on the part of defendant are not essential elements of plaintiff's case;

(b) proof of the truth of the matter charged as defamatory is a complete defense; and

(c) existence of good faith and action upon advice of competent counsel skilled in such matters are not defenses.

11. The law of Ohio does not accord a patentee the qualified privilege to publish a charge of patent infringement if the charge later proves to be false, even if he publishes such charge to other interested persons and even if the patentee reasonably and in good faith believes the charge to be [33] true and was not prompted by actual malice but acted solely in defense of his patent.

12. Under Ohio law, advice of an attorney, known by client to be interested in the subject matter and result, is not a justification for conduct otherwise tortious.

13. The fact that plaintiff in November and December of 1948 published in a letter to its licensees and in a trade journal its response to the initial publication by defendant of defamatory matter in October of 1948 is no defense to the initial publication and is no justification for the publication of further defamatory matter in the same trade journal in May, 1949.

14. The facts proved by defendant in justification of its defamations are not sufficient as a matter of Ohio law to establish the defense of privilege.

15. Defendant's out-of-court publications of the

false claims of patent infringement must be held to have been not privileged.

VI. Change the numbers of Conclusions 7 to 10, both inclusive, to Conclusions 16 to 19, both inclusive.

VII. Amend and supplement Conclusion of Law 11 to state, and number them 20, 21 and 22, as follows:

20. Inasmuch as defendant's conduct before, during and after the trial of this case was exceptional (Finding of Fact 26), reasonable attorneys' fees [34] under the patent statutes should be awarded to plaintiff.

21. Plaintiff is entitled to a judgment for the damages it has sustained by virtue of the publications by defendant of the false charges of patent infringement, namely, its business losses resulting from the publication and the expenses involved in clearing up the infringement charge.

22. This matter should be referred to a special master for an accounting of plaintiff's damages and reasonable attorneys' fees.

VIII. Consistently with the Findings of Fact and Conclusions of Law as so amended and supplemented, amend the Judgment to state that:

1. That this Court has jurisdiction over plaintiff's claim for damages.

2. That the defendant libeled the plaintiff and

libeled the plaintiff's Kemart process in its publication at Cleveland, Ohio, of the Albert G. McCaleb letter of October 6, 1948, and in its publication of an advertisement and article in *The Photoengravers Bulletin* for May, 1949.

3. That plaintiff is entitled to an award of damages arising from said libels.

4. That the defendant's prosecution of its counterclaim for damages under the patent laws was exceptional and plaintiff is entitled to an award of reasonable attorneys' fees [35] for its defense of such counterclaim.

5. That this cause is hereby referred to
., a Special Master of this Court, to take proofs and make a report herein respecting an accounting for such damages and for such reasonable attorneys' fees.

6. That plaintiff shall have an award for its costs in respect to proceedings subsequent to the last issued mandate of the Court of Appeals for the Ninth Circuit.

This motion is based upon Rules 52(b), 59(a) and 59(e) of the Federal Rules of Civil Procedure and upon Rule 17 of the local rules of this Court.

In support of this motion plaintiff relies upon the evidence in the case; upon the certified copy of portions of the record and brief filed in the Supreme Court of Ohio in *McCue v. Wells*, Case No. 21,428 heretofore mailed to the Clerk and served upon opposing counsel; and upon the certi-

fied copy of portions of the record filed in the Court of Appeals for the Seventh Circuit in *E. Edelmann & Co. v. Triple-A Specialty Co.*, No. 5978, also heretofore mailed to the Clerk and served upon opposing counsel.

As grounds for this motion plaintiff shows the Court:

(1) that Findings of Fact 1-D, 2, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15 entered by this Court (a) are based on insufficient evidence, (b) are contrary to the evidence, and (c) are clearly erroneous both as a matter of fact and as a matter of law; and [36]

(2) that Conclusions of Law 6 and 11 are erroneous as a matter of law, and for lack of evidentiary support.

Insufficiency of Evidence

Insofar as this motion is based upon insufficiency of the evidence to justify the decision, plaintiff specifies the following particulars wherein the evidence is claimed to be insufficient.

I.

Findings 1-D, 2, 6, 8 and 14 and Conclusions of Law 6 and 11 are based either wholly or in part upon the proposition that defendant relied upon the advice of counsel in making its initial publication of the charges of infringement, in filing its counterclaim and in the prosecution of the litigation. Plaintiff specifies that defendant has not made good its justification on such basis for each of the following independent reasons:

(1) The record contains no evidence whatsoever that advice of disinterested counsel was obtained. The record on the contrary discloses that the only opinion obtained was that of the president and a director of the defendant. And the Court found that the counsel was "interested."

(2) The record contains no evidence whatsoever that defendant had made a full disclosure to counsel of prerequisite information necessary to decide the question of infringement. Mr. Marx testified, "I don't recall what I told him about the Kemart process." (Tr. 129). The record further contains admissions of two of defendant's officers (the president-counsel McCaleb and the vice-president in [37] charge of research Marx) that "prerequisite information" was lacking in the Fall of 1948 and admissions of its vice-president in charge of research Marx that he did not even examine any Kemart copy until sometime after the counterclaim was filed herein.

(3) There is no evidence whatsoever that defendant relied upon the opinion. Although Mr. Marx testified that defendant had obtained the opinion (Tr. 111, 112-113), he did not testify that defendant ever relied upon the opinion.

II.

Findings of Fact 8, 10 and 14 and Conclusion of Law 6 are based either wholly or in part upon alleged absence of malice and existence of good faith. Plaintiff specifies that the evidence is insufficient in the following particulars.

The evidence discloses without contradiction

(1) that the charges of infringement were false;

(2) that they were repeated; and

(3) that defendant's conduct included

(a) elements of ill will directed toward plaintiff,

(b) the giving of false testimony, [38]

(c) the failure to make a factual inquiry concerning the existence of infringement, and

(d) the publication of a known overstatement as to the scope of its patent [e.g., the inclusion of "high-light" white].

Such conduct is not consistent with good will and absence of malice.

If advice of counsel be eliminated as an element of good faith, then there is no evidence whatsoever of good faith in this record sufficient to overcome legal malice from arising the falsity of the charge.

III.

Findings 4, 5, 6 and 7 in whole or in part are based upon the concept that defendant's publications were made in response to prior publications of plaintiff. This is without any record support.

In the first place, defendant has not shown that its publication at the Cleveland convention was in reference to any act of the plaintiff. At the time that Mr. Marx displayed the letter to Mr. Adams, there was also present Mr. Pensinger. Mr. Marx also displayed the letter to Mr. Frey (Tr. 137).

There is not even a scintilla of evidence that plaintiff ever published the October 6th letter.

Mr. Adams admittedly discussed the letter only with [39] Mr. Mertle, who was plaintiff's technical advisor. Mr. Adams did not admit that he discussed the letter with Messrs. Flader, Latimer or Schmidt.

Mr. Marx testified merely that Messrs. Latimer, Schmidt and Flader approached him. There is no evidence that any of them asked to see the letter of infringement and there is no evidence that any of them had theretofore heard of the letter of infringement. They allegedly heard only that there was a controversy—and even this evidence was hearsay. Even if they had heard of the letter of infringement, the record contains no inference that they heard of it from Mr. Adams. They might have heard of it from Mr. Marx, or they might have heard of it from Mr. Frey, or they might have heard of it from Mr. Pensinger. Defendant did not call anyone to the stand to testify that plaintiff published this letter as found. Mr. Marx has admitted publishing the letter, and his first admission in 1949 (Tr. 76) made no intimation that the publication was preceded or justified by publication by Mr. Adams.

Insofar as the May 1949 publication is sought to be justified by the November and December 1948 publication of plaintiff, there is no evidence to show justification. In the first place, the document on its face does not purport to respond to the November 1948 and December 1948 publications of plaintiff. In the second place, the five-month period of time was so long that the subsequent publication could

not be considered to be a response under any circumstances.

Errors in Law

Insofar as this motion is based upon errors in law occurring at the trial, plaintiff specifies the following particular [40] errors relied upon.

I.

Findings of Fact 1-D, 2, 4, 5, 6, 7, 8, 14 and 15 and Conclusions of Law 6 are based in part upon the defense of privilege. Plaintiff specifies that the Court erred as a matter of law in determining that the law of Ohio accords the defense of privilege to the publication of a false charge of patent infringement.

II.

Findings of Fact 1-D, 2, 8, 14 and Conclusions of Law 6 and 11 base the existence of good faith and absence of malice in part upon an opinion of counsel. Assuming, but not conceding that advice of counsel is a defense, plaintiff specifies that the decision errs as a matter of law (a) in giving effect to an opinion of "interested" counsel; (b) in not requiring proof that defendant made a full factual disclosure to counsel; and (c) in not requiring proof that defendant did in fact rely upon the advice.

III.

Findings of Fact 11 and 12 justify the misrepresentations of the scientific qualifications of defendant's only witness at the trial and the misrepresentations of the scientific qualifications of the defendant's only witness at the trial and the misrepresentations of the scientific qualifications of the defendant's only witness at the trial.

sentation of the state of the prior art on the ground that the misrepresentations were immaterial. Plaintiff specifies that this is error as a matter of law.

IV.

The District Court failed to find and weigh all of the [41] facts set forth in plaintiff's proposed Findings of Fact above. Plaintiff specifies that this is error as a matter of law.

V.

The District Court failed to enter Conclusions of Law as set forth in plaintiff's proposed Conclusions of Law above. Plaintiff specifies that this is error as a matter of law.

This motion is accompanied by a Memorandum of Points and Authorities as required by Rule 3(d) of the Rules of this Court.

/s/ HENRY GIFFORD HARDY,
/s/ CARL HOPPE,
Attorneys for Plaintiff.

[Endorsed]: Filed Jan. 2, 1957

United States District Court, Southern
District of California, Central Division

No. 8909-WM—Civil

KEMART CORPORATION, Plaintiff,

v.

PRINTING ARTS RESEARCH LABORATO-
RIES, INC., Defendant.

ORDER ON PLAINTIFF'S MOTION TO
AMEND FINDINGS OF FACT, Etc.

This cause having come before the Court upon plaintiff's motion, filed January 2, 1957, "to amend findings of fact and conclusions of law, to make new findings and conclusions and for the entry of a new judgment"; and the motion having been ordered submitted for decision;

It Is Now Ordered that plaintiff's motion is hereby denied.

It Is Further Ordered that the Clerk this day forward copies of this Order by United States mail to the attorneys for the parties appearing in this cause.

January 4, 1957.

/s/ WM. C. MATHES,
United States District Judge. [52]

[Endorsed]: Filed Jan. 4, 1957.

[Title of District Court and Cause.]

NOTICE OF APPEAL

Notice is hereby given that plaintiff, Kemart Corporation, hereby appeals to the United States Court of Appeals for the Ninth Circuit

a. from the final judgment entered in this action on December 20, 1956; and

b. from the order filed in this action on January 4, 1957 denying plaintiff's motion, filed January 2, 1957, to amend findings of fact and conclusions of law, to make new findings and conclusions and for the entry of a new judgment.

/s/ HENRY GIFFORD HARDY,

/s/ CARL HOPPE,

Attorneys for Appellant. [53]

[Endorsed]: Filed Jan. 21, 1957.

[Title of District Court and Cause.]

MOTION

Plaintiff moves the Court to vacate and to set aside the final judgment entered against plaintiff in this cause on December 20, 1956, pursuant to the provisions of Rule 60(b) of the Federal Rules of Civil Procedure.

This motion is based upon the following alternative grounds:

(1) The rule of decision upon which the judg-

ment is based, as set forth in Conclusion of Law No. 6 and in paragraph numbered (7) of the Order for Findings of Fact, Conclusions of Law and Judgment, was overruled, limited or otherwise vacated in *International Industries and Developments, Inc. v. Farbach Chemical Company, Inc.*, decided by [64] the United States Court of Appeals for the Sixth Circuit on February 21, 1957, not yet reported officially, but unofficially reported in 112 P.Q. 349.

(2) The rule of decision upon which the judgment is based, as set forth in Conclusion of Law No. 6 and paragraph numbered (7) of the Order for Findings of Fact, Conclusions of Law and Judgment, contravenes the Convention of the Union of Paris of March 20, 1883 for the Protection of Industrial Property, as amended in London in 1934 (53 Stat. 1780), particularly Article 10 Bis thereof, which particularly forbids "false allegations in the conduct of trade of a nature to discredit the establishment, the goods or the services of a competitor."

This motion is supported by the accompanying affidavits of Carl Hoppe and Henry Gifford Hardy and by Exhibits "A" and "B" attached to said affidavit of Carl Hoppe.

/s/ HENRY GIFFORD HARDY,

/s/ CARL HOPPE,

Attorneys for Plaintiff. [65]

[Endorsed]: Filed April 9, 1957.

[Title of District Court and Cause.]

AFFIDAVIT OF CARL HOPPE

State of California

City & County of San Francisco—ss.

Carl Hoppe, being first duly sworn, deposes and says:

1. Affiant is one of the attorneys for plaintiff in the above-entitled matter.

2. The final judgment of this Court which is the subject of the accompanying Motion was entered on December 20, 1956; a Motion to Amend Findings of Fact and Conclusions of Law, to Make New Findings and Conclusions and for the Entry of a New Judgment [66] was denied by this Court on January 2, 1957; the plaintiff filed a Notice of Appeal from said judgments on January 21, 1957; and thereafter the Court of Appeals for the Sixth Circuit, on February 21, 1957, handed down a decision in the case of International Industries and Developments, Inc. v. Farbach Chemical Company, Inc., 112 P.Q. 349, not yet officially reported, in which the majority of the Court held actionable a notice of infringement which was issued in implied malice in law and held that actual malice and bad faith constituting unfair competition are not essential elements to an actionable cause of action.

3. Said decision of the Court of Appeals was not available to the plaintiff prior to February 21, 1957, the date of decision.

4. In preparation for said appeal, affiant expanded his legal research on behalf of plaintiff beyond the source materials investigated theretofore, and during the course of his investigation observed for the first time, on January 29, 1957, that the rule of decision in this case might be controlled by the Convention of the Union of Paris for the Protection of Industrial Property, as amended at The Hague and as amended at London (53 Stats. 1780).

5. Thereafter affiant examined the official Actes de la Conference Reunie a la Haye due 8 Octobre au 6 Novembre 1925 and obtained a copy of the title page and page 477 thereof, said page being attached to this Affidavit as Exhibit "A" hereof.

6. Exhibit "B" attached to this Affidavit is a translation of a portion of page 477 of said Exhibit "A."

Further affiant sayeth not.

/s/ CARL HOPPE. [67]

Notary Certification Attached. [68]

EXHIBIT "B"

"2. Disparagement

"The proposition of inserting in article 10 a disposition aimed at the repression of disparagement has been approved by all the delegations. In effect, the act of formulating or spreading affirmations and allegations (that are) false and of a nature to carry damage to the reputation of a competitor or of his establishment or of his merchandise is every-

where considered as contrary to honest usage, and incompatible with the good order of trade. There have been however some difficulties in reaching an understanding on the definition and limitations of this kind of unfair competition.

“Several Delegations, notably those of Great Britain and the United States, have made the observation that in their country defamation (libel) falls under the disposition of penal laws, and that there is no cause set forth on the subject of special dispositions aimed at the defamation of a competitor. It has been replied that the notion of disparagement is broader than that of defamation, notably that it does not imply an injurious intention. That which one wishes to hit is the fact of discrediting a competitor by affirmations contrary to the truth. On the observation of the French delegation that it is possible to disparage a competitor by prejudicial criticisms and comparisons without these being strictly contrary to the truth, it was replied that in an International Convention the sure and precise criterium of the letter contrary to the truth seems indispensable. From another side one has observed that it did not seem either useful or necessary to set forth particular measures near to the fact of discrediting the person or the same establishment, and that it would suffice to hit the fact of discrediting the merchandise.

“The Sub-Commission is united in this thought. It has resulted in the following text, adopted unanimously: False allegations in the course of trade,

of a nature to discredit the merchandise or products of a competitor." [71]

[Endorsed]: Filed April 9, 1957.

[Title of District Court and Cause.]

AFFIDAVIT OF HENRY GIFFORD HARDY

State of California

City & County of San Francisco—ss.

Henry Gifford Hardy, being first duly sworn, deposes and says:

1. Affiant and Carl Hoppe, whose Affidavit is attached, are attorneys for plaintiff in the above-entitled action, and jointly share the obligations and responsibilities therefor.

2. Affiant has read the attached Affidavit of Carl Hoppe, [72] and believes that the statements therein set forth are true, according to his best knowledge and belief.

3. Further affiant sayeth not.

/s/ HENRY GIFFORD HARDY.

Notary Certificate Attached. [73]

[Endorsed]: Filed April 9, 1957.

[Title of District Court and Cause.]

REPLY AFFIDAVIT OF CARL HOPPE ON
PLAINTIFF'S MOTION UNDER RULE 60(b)

State of California

City and County of San Francisco—ss.

Carl Hoppe, being first duly sworn, deposes and says:

1. Affiant is one of the attorneys for plaintiff in the above-entitled matter.

2. Plaintiff's motion in part is based upon the decision in *International Industries and Developments, Inc. v. Farbach Chemical Company* (6th Cir. 1957) 241 F. 2d 246.

3. In the briefs of the parties, a dispute has arisen as to the proper interpretation of the International decision.

4. Affiant has examined the Petition for Rehearing filed by the appellant in the International case and believes that it may be helpful in resolving the dispute. [74]

5. The Petition for Rehearing recites:

"Now comes the appellant, International Industries and Developments, Inc., by its counsel, and respectfully petitions the Court to grant a rehearing of this appeal on the following grounds:

"I. The Court erred in holding that the sending of 8000 copies of the letter of April 9, 1953 (App. 79a) to the trade constituted an actionable wrong

against appellee. It is apparent from the face of the letter that it was a mere notice of intention to prosecute infringers. That it was the intent of appellant to send out such a notice is apparent from the minutes of a meeting of the Board of Directors of appellant held on April 3, 1953 (App. 93a) at which time the president of appellant 'reported that a letter had been drafted informing the trade and all parties likely to be interested of our ownership of the Lowenheim patent and giving notice of our intention to prosecute infringers of such patent.' The Court has cited no authorities for the proposition that the sending to the trade of such a notice of intent to prosecute infringers is an actionable wrong against one of the recipients of such letter. We know of no prior decision in this Circuit to that effect. The Second Circuit held to the contrary in *Kaplan v. Helenhart Novelty Corporation*, 182 F. (2d) 311, 313. The Seventh Circuit has held to the contrary in *Mid-Continent Investment Co. v. Mercoid Corporation*, 133 F. (2d) 803, 811 (reversed on other grounds). The Third Circuit has held to the contrary in *Smith, Kline & French Laboratories v. Clark & Clark*, 157 F. (2d) 725, 729, in affirming the ruling of Judge Forman in *Smith, Kline & French Laboratories v. Clark & Clark*, 62 F. Supp. 971, 1011.

"The fact that the letter of April 9, 1953 (App. 79a) might lead the average recipient to conclude that he might become involved in litigation if he distributed a dip-type silver cleaning liquid or powder received from and manufactured by anyone

not licensed under appellant's patent, is beside the point. Undoubtedly, notice of ownership of the patent relating to this product would lead the distributor to make inquiries, first, as to whether that manufacturer was licensed and, second, as to whether the manufacturer would stand back of his product and indemnify the purchaser against claims for infringement. That is a business commonplace. Anyone learning of a particular patent in a particular art is bound to make inquiry as to where he stands with reference to that patent. That is what happened in the case at bar and most of the letters received from customers of appellee made inquiry as to whether appellee would indemnify and hold them harmless.

“II. The Court erred in holding that the letter of April 9, 1953 (App. 79a) was a notice of infringement sent out maliciously or in bad faith. A mere [75] notice of infringement is not actionable unless it is sent out maliciously or in bad faith. *Alliance Securities Co. v. De Vilbiss Mfg. Co.*, 41 F. (2d) 668, 670, (C. C. A. 6), *Oil Conservation Engineering Co. v. Brooks Engineering Co.*, 52 F. (2d) 783, 785 (C. C. A. 6), *Byrne Mfg. Co. v. American Flange & Mfg. Co.*, 87 F. (2d) 783, 786 (C. C. A. 6), *Coats Loaders & Stackers, Inc. v. Henderson*, 233 F. (2d) 915, 926 (C. C. A. 6).

“Malice must be personal, that is, directed at someone. In the present case the letter is not to be deemed malicious unless sent out with the intention of injuring appellee, Farbach Chemical Com-

pany. The record is devoid of any such evidence of malicious intent. Neither can malice be implied from the circumstances because appellee was only one of some 8000 addressees to whom the letter was sent. The mailing list included all those in the trade that might be interested and was not limited to appellee, Farbach Chemical Company, or its customers. We fail to see how any malice can be implied from those circumstances. That the letter was sent in good faith is shown by the promptness with which suit was filed after receipt of appellee's threatening letter of April 13, 1953 (App. 80a, 81a).

“III. The Court erred in holding ‘that the foregoing letter was the primary and direct cause of the loss to defendant-appellee of its dip-type liquid silver cleaner business.’ There is no doubt that appellee's business which had been profitable in 1952 suffered losses in 1953 and subsequent years due in large part to the decreased sales, but there is no basis for ascribing that loss to the letter of April 9, 1953. It appears from the tabulation of appellee's sales and profits, furnished by its own accountant, Df. Ex. 14 (App. 107a) that sales started to decrease in February, 1953, and that the decrease continued in March, 1953, prior to the sending of the letter. It is clear, also, that appellee's business suffered a loss in December, 1952, and losses in February and March, 1953, prior to the letter. There is no basis whatever for ascribing the drop in sales and the losses in April, 1953, and subsequent months to the letter of April 9,

1953, since these decreases in sales and losses were merely continuations of the trend established prior to the letter of April 9, 1953. The evidence fails to show that any substantial amounts of the product were returned to appellee because of the letter of April 9, 1953. The list of returns, Df. Ex. 14 (App. 108a, 109a) fails to show why the goods were returned and is not tied in with the receipt of the letter. The letters from customers (Appellee's App. 55b-97b) are put forward as showing an intention by customers to return goods to Farbach but the list of returns shows that only two of the writers of those letters returned any goods and these in the amount of \$1101.30 out of total purchases of \$5312.39. It is submitted that the record contains no basis whatever for a finding that appellee was damaged in the amount of \$100,000.00 by the sending of the letter of April 9, [76] 1953, to the trade. The District Court appears to have selected that figure 'out of thin air.'

"IV. The Court erred in holding that the award of counsel fees in the amount of \$15,000.00 was supported by the evidence and is lawful. The record contains no evidence whatever as to what would have been reasonable attorney fees under the circumstances. While the matter of allowance of attorney fees may be said to be discretionary with a trial court, that discretion does not extend to an arbitrary determination of the amount of attorney fees. The award of attorney fees in the amount of \$15,000.00 in the entire absence of any evidence as to what would be reasonable fees for

the services rendered is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge. The District Court had no power to make such an award without receiving evidence as to what would be reasonable attorney fees, taking into consideration the services rendered and the time expended. Here, the trial lasted a day and a half, and it is clear that the award is excessive under such circumstances. See *Dubil v. Rayford Camp & Co.*, 184 F. (2d) 899, 903 (C. C. A. 9)."

6. On April 18, 1957, the Court of Appeals for the Sixth Circuit denied the foregoing Petition for Rehearing.

/s/ CARL HOPPE.

Notary Certificate and Proof of Service Attached. [77]

[Endorsed]: Filed May 7, 1957.

[Title of District Court and Cause.]

ORDER ON PLAINTIFF'S MOTION FOR
RELIEF FROM JUDGMENT UNDER
RULE 60(b)

This cause was remanded to this court by order of the United States Court of Appeals for the Ninth Circuit, filed May 23, 1957, and is now before the court on plaintiff's motion, filed April 9, 1957, to vacate final judgment entered on December 20, 1956, pursuant to Fed. R. Civ. P. 60(b);

and the motion having been submitted for decision; and it appearing to the court that: considering plaintiff's motion as coming within the provisions of Rule 60(b) (1), (5) or (6) [see *Berryhill v. United States*, 199 F. 2d 217 (6th Cir. 1952); *Federal Enterprises, Inc. v. Frank Allbritten Motors, Inc.*, 16 F.R.D. 109 (W.D.Mo. 1954); *Ledwith v. Storkan*, 2 F.R.D. 539 (D. Neb. 1942)], the law of Ohio, as interpreted in *Int'l Industries & Developments, Inc. v. Farbach Chemical Co.*, [81] 241 F. 2d 246 (6th Cir. 1957), affirming 145 F. Supp. 34 (S. D. Ohio 1956), must be held to accord a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge to be true, and the charge was not prompted by malice, but was made solely in defense of his patent; and the Convention for the Protection of Industrial Property of the Union of Paris [53 Stat. 1748 (1934)] does not, absent effectuation thereof by the Congress, eliminate the defense of privilege, good faith and absence of malice permitted by the law of Ohio [see *Vanity Fair Mills, Inc. v. The T. Eaton Co.*, 234 F. 2d 633, 640 (2d Cir.), cert. denied, 352 U.S. 871 (1956); cf: *Bicardi Corp. v. Domenech*, 311 U.S. 150 (1940); *Geofrey v. Riggs*, 133 U.S. 258, 266 (1890); *Head Money Cases*, 112 U.S. 580, 598 (1884)].

It Is Now Ordered that plaintiff's motion to vacate the final judgment entered on December 20, 1950, is hereby denied.

It Is Further Ordered that the Clerk this day serve copies of this order by United States mail upon the attorneys for the parties appearing in this cause.

June 21, 1957.

/s/ WM. C. MATHES,

United States District Judge. [82]

[Endorsed]: Filed June 24, 1957.

In the Supreme Court of Ohio

Error to the Court of Appeals of Cuyahoga County

Case No. 21428

HARRY J. McCUE, Plaintiff in Error,
vs.

HUGH WELLS, TRUSTEE THE HENRY
GEHRING COMPANY, a Corporation,
Defendant in Error.

PETITION IN ERROR

* * * * *

In the instant case, however, while the falsity of the statement was alleged in the petition, malice was not alleged, neither were special damages alleged. A careful reading of the record of the plaintiff's testimony shows that there was no evidence introduced by the plaintiff showing, or tending to show that the publication complained of was false.

There was not a scintilla of evidence showing, or tending to show any malice on the part of the defendant and there was no evidence introduced showing special damages. As these elements were an essential part of the plaintiff's case, the burden being upon the plaintiff to introduce evidence on these points, the court should have sustained the Motion of the defendant to direct a verdict at the close of plaintiff's case.

* * * * *

For all the foregoing reasons, the record failing to show any evidence by the plaintiff tending to show the falsity of the publication and failing to show any evidence tending to prove malice on the part of the defendant and failing to show any special damage, the Motion to direct the verdict at the close of plaintiff's case should have been sustained and the Motion to direct a verdict at the close of the whole case should have been sustained.

We shall now take up the question of error of the court in its charge to the jury.

* * * * *

The Supreme Court of the State of Ohio,
Of the Term of January, A. D. 1956
To wit: Wednesday, May 29, 1929

[Title of Cause.]

ERROR TO THE COURT OF APPEALS
OF CUYAHOGA COUNTY

This cause came on to be heard upon the transcript of the Record of the Court of Appeals of

Cuyahoga County, and was argued by counsel. On consideration whereof, it is ordered and adjudged by this Court, that the Judgment of the said Court of Appeals be and the same is hereby, reversed for the reasons stated in the opinion filed herein; and this Court proceeding to render the judgment that the Court of Appeals should have rendered, it is ordered and adjudged that the judgment of the Court of Common Pleas be, and the same hereby is, reversed and said cause is hereby remanded to the Common Pleas Court of Cuyahoga County for a new trial.

* * * * *

[The original exhibit received by the Clerk on or about December 11, 1956 was certified by the Clerk of the Court of Appeals for the Seventh Circuit as constituting pages 88 through 92 of the printed record in the Court of Appeals in Cause No. 5978, entitled *E. Edelman & Co. v. Triple-A Specialty Co.*, the decision being reported in 88 F. 2d 852.]

Filed June 26, 1936.

And afterwards, to wit, on the 26th day of June, 1936, being one of the days of the regular June term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William H. Holly, District Judge, appears the following entry, to wit:

Findings of Fact and Conclusions of Law

In the United States District Court

* * (Caption—14904) * *

FINDINGS OF FACT

1. This is a petition for a Declaratory Decree, filed November 2, 1935, under the United States Declaratory Judgments Act (Title 28, U. S. Code, Section 400).

2. The petition prays for a Declaratory Decree adjudging the Edelmann patent No. 1,800,139 to be invalid, and also adjudging that none of the claims of said Patent is infringed by Frostgage No. 711, made and sold by Petitioner.

3. Petitioner is an Illinois corporation, having its principal office and place of business in the City of Chicago, in the State of Illinois, and is engaged in manufacturing said No. 711 Frostgage, among other things.

4. Respondent is also an Illinois corporation, having its principal office and place of business in the City of Chicago, in said district, and is the owner of said Edelmann patent No. 1,800,139, Respondent being likewise engaged in the manufacture of hydrometers or frostgages, among other things.

5. Respondent in writing charged Petitioner with infringing said Edelmann patent No. 1,800,139, by the manufacture and sale of said No. 711 Frostgage. Petitioner replied to said charge, denying infringement, and Respondent reiterated said charge all before this suit was commenced.

6. Respondent competes with Petitioner in the sale of hydrometers, and in the conduct of its business Respondent, before Nov. 2, 1933, sent to customers and prospective customers of the Petitioner communications stating that the No. 711 Frostgage made and sold by Petitioner infringes said Edelmann patent No. 1,800,139, certain of said communications so sent to Petitioner's customers by respondent stating that, unless said alleged infringing acts "be discontinued forthwise there is no other alternative except to enter suit against the Triple-A Specialty Company and against any and all jobbers, dealers, and others that may sell the infringing instrument."

7. That, as a result of the sending out of said communications by Respondent, certain customers of Petitioner have cancelled orders or returned said alleged infringing frostgages for credit, and that thereby Petitioner has been damaged or injured by the said acts of Respondent.

8. That all the claims of the Edelmann patent No. 1,800,139 include a float element having a member of cushioning material fitted upon, carried by, or mounted on said float element, said float element being identified as No. 6 in Fig. 1 of the drawings of said Edelmann patent; that Petitioner uses no cushioning material on the bottom of its float element corresponding to float element No. 6 of the Edelmann patent; and that Petitioner's hydrometer is not within any of the claims of the Edelmann patent No. 1,800,139.

9. The Edelmann patent No. 1,800,139 describes and claims a device which has never been sold commercially by Respondent; that the application for said patent was filed on August 6, 1926; and that Respondent concedes that none of the devices of said patent have been sold by Respondent.

10. The court has not considered the question of the validity of said Edelmann patent, and therefore makes no finding as to validity or invalidity.

CONCLUSIONS OF LAW

I.

The court has jurisdiction of the parties and of the subject matter of this suit, inasmuch as it seeks a declaration of rights and other legal relations arising out of or under the patent laws of the United States.

II.

The allegations of the petition and the facts proven on the trial establish the existence of an actual controversy between the parties, prior to the filing of this suit, of which this court has jurisdiction.

III.

The court, having jurisdiction of the parties and of the subject matter, by reason of the prayer for declaratory relief, has jurisdiction to and should completely dispose of the entire issue between the parties arising out of the same subject matter, and the court therefore has jurisdiction to order the injunction and accounting prayed.

IV.

Respondent alleges that claims 5, 6, 7, 9, and 13 of said Edelman patent No. 1,800,139 are infringed by Petitioner's No. 711 Frostgag, but the court finds, as a matter of law, that said Frostgag does not infringe either or any of said claims or any other claims of said patent.

V.

The equities of this cause are with Petitioner and against Respondent, and a decree may be presented in accordance with these findings, providing for an injunction and a reference to a Master for an accounting.

WILLIAM H. HOLLY,
United States District Judge.

O.K. as to form:

BARNETT & TRUMAN,
Solicitors for Respondent.

Entered June 26, 1936.

And afterwards, to wit, on the 26th day of June, 1936, being one of the days of the regular June term of said Court, in the record of proceedings thereof, in said entitled cause, before the Honorable William H. Holly, District Judge, appears the following entry, to wit: Final Decree.

In the United States District Court

* * (Caption—14904) * *

FINAL DECREE

This cause having come on to be heard in open court upon the petition and the answer, and the court having considered the evidence adduced by the parties, both oral and documentary, and the court having filed its Findings of Fact and Conclusions of Law, on motion of Dyrenforth, Lee, Chritton & Wiles, solicitors for Petitioner, it is adjudged, decreed and declared by the court as follows:

1. That Petitioner's No. 711 Frostgaze does not infringe claims 5, 6, 7, 9, and 13 of said Edelmann patent No. 1,800,139, or any other claims of said patent.

2. That Petitioner is entitled to the relief sought or prayed in and by its said petition, and that this cause is hereby referred to Thomas J. Peden, Esq., a Master in Chancery of this court, to take proofs and make a report herein respecting an accounting for damages against Respondent; that an injunction be granted herein pursuant to the prayer of the petition; and that the costs of this suit be taxed against the Respondent by the Clerk of this Court.

WILLIAM H. HOLLY,
United States District Judge.

O.K. as to form:

BARNETT & TRUMAN,
Solicitors for Respondent.

Filed July 22, 1936

And on, to wit, the 22nd day of July, 1936, came the Appellant by its attorney and filed in the Clerk's office of said Court a certain Petition for Appeal in words and figures following, to wit:

In the District Court of the United States
* * (Caption—14904) * *

PRAYER FOR APPEAL

Now comes the respondent, E. Edelmann & Company, and files herewith its Assignment of Errors and prays an appeal to the United States Circuit Court of Appeals for the 7th Circuit from the decree entered herein, to wit, June 26th, 1936.

BARNETT & TRUMAN,
Solicitors for Respondent.

And on, to wit, the 22nd day of July, 1936, came the Appellant by its attorney and filed in the Clerk's office of said Court a certain Assignment of Errors in words and figures following to wit:

Filed July 22, 1936

In the District Court of the United States
* * (Caption—14904) * *

ASSIGNMENT OF ERRORS

And now comes the respondent, E. Edelmann & Company, and assigns error in the decree entered herein, to wit, June 26th, 1936, as follows:

1. That the Court erred in decreeing that Petitioner's No. 711 Frostgage does not infringe either of claims 5, 6, 7, 9 and 13 of the Edelmann patent No. 1,800,139 or of any other claims of said patent.

2. The Court erred in decreeing that this cause should be referred to a master in chancery to take proofs and make report herein respecting an accounting for damages against respondent.

3. That the Court erred in decreeing that an injunction be granted herein pursuant to the prayer of the petition.

4. That the Court erred in decreeing that the costs of this suit be taxed against the respondent by the Clerk of this Court.

5. That the Court erred in holding that the Court has jurisdiction of the parties and of the subject matter of this suit.

6. The Court erred in finding that the facts proven on the trial establish the existence of an actual controversy between the parties prior to the filing of this suit, of which this Court has jurisdiction.

7. The Court erred in finding that the Court has jurisdiction to order the injunction and accounting prayed.

8. The Court erred in finding that the equities of this cause are with petitioner and against respondent.

9. The Court erred in finding that as the result of sending out communications by respondent certain customers of petitioner have canceled orders or returned said alleged infringing frost gauges for

credit and that thereby petitioner has been damaged or injured by the acts of respondent.

10. The Court erred in finding the petitioner uses no cushioning material on the bottom of its float element corresponding to the float element specified in Claims 5, 6, 7, 9, and 13 of the Edelmann patent No. 1,800,139.

BARNETT & TRUMAN,
Attorneys for Respondent.

[Title of District Court and Cause.]

CERTIFICATE BY CLERK

1, John A. Childress, Clerk of the above-entitled Court, hereby certify that the items listed below constitute the transcript of record on appeal to the United States Court of Appeals for the Ninth Circuit, in the above-entitled case:

A. The foregoing pages numbered 1 to 84, inclusive, containing the original

Mandate of Court of Appeals;

Order for Findings of Fact, Conclusions of Law;

Findings of Fact, Conclusions of Law, and Judgment;

Motion and Notice of Motion to Amend Findings of Fact and Conclusions of Law; together with Memorandum in support thereof;

Order on Plaintiff's Motion to Amend Findings of Fact, etc.;

Notice of Appeal;

Stipulation Dispensing with Bond on Appeal;

Statement of Points on Appeal;

Designation of Contents of Record on Appeal;
 Stipulation for Extending Time to Docket Record on Appeal;

Stipulation for Extending Time to Docket Record on Appeal;

Motion and Notice of Motion to Vacate and to set aside the final judgment entered against plaintiff in this cause on December 20, 1956;

Reply Affidavit of Carl Hoppe on Plaintiff's Motion under Rule 60(b);

Order on Plaintiff's Motion to Vacate Judgment under Rule 60(b);

Order on Plaintiff's Motion for Relief from Judgment under Rule 60(b);

Supplemental Designation of Record on Appeal;
 Photocopy of cases McCue v. Wells and Triple A Specialty v. E. Edelmann;

B. Reporter's official transcript of proceedings for July 23, 24, 26, 1956;

C. Plaintiff's exhibits 1, 2, 3, 11, 16-A, 16-B, 16-C, 20 through 30, incl., 34, 53, 54, 57 through 82, inclusive;

Defendant's exhibits a through g, incl., g, j, ii, jj, ll, mm, nn, oo, pp, qq, rr.

I further certify that the fee for preparing the foregoing record, amounting to \$1.60, has been paid by appellant.

Witness my hand and seal of the said District Court this 19th day of July, 1957.

[Seal] JOHN A. CHILDRESS,

Clerk,

/s/ By WM. A. WHITE,

Deputy.

In the United States District Court, Southern
District of California, Central Division

No. 8909-WM—Civil

KEMART CORPORATION, a corporation,
Plaintiff,

vs.

PRINTING ARTS RESEARCH LABORATO-
RIES, INC., a corporation, Defendant.

REPORTER'S TRANSCRIPT
OF PROCEEDINGS

Honorable William C. Mathes, Judge presiding.

Los Angeles, California

Monday, July 23, 1956

Appearances: For the Plaintiff: Lyon & Lyon,
811 West Seventh Street, Los Angeles, California;
by Leonard S. Lyon, Jr., Esq. For the Defendant:
Carl Hoppe, Esq., 2610 Russ Building, San Fran-
cisco 4, California. [1]*

The Clerk: Case No. 8909, Kemart Corporation
vs. Printing Arts Research Laboratories.

The Court: I have read the Circuit Court's opin-
ion preparatory to this hearing. I don't assume
there is any problem on the questions of costs the
court ruled upon.

Mr. Hoppe: Your Honor, I think there might be

* Page numbers appearing at bottom of page of Reporter's
Original Transcript of Record.

a possibility of one item. And, frankly, I can't quite understand exactly what the Court of Appeals had in mind on the \$5750 bond item. In there they said it was a matter that rested within your Honor's sound discretion. And they also said that your Honor was not bound by the ruling that the clerk had made in that particular matter.

However, your Honor will recall in deciding the question, at least as I understood your Honor's opinion, it was that you affirmed the clerk's ruling on the basis of his ruling, and since the court ended up its discussion of that item with a statement to the effect that it was a matter within your sound discretion, although the court earlier had said that it thought your ruling was right, I wondered if that discretionary matter isn't open for consideration by your Honor on the question of whether your Honor chooses to exercise his discretion on that item or not.

The Court: Well, Mr. Hoppe, I have a definite opinion. My recollection is very poor at this time. It is not most times on such matters. But my recollection was that I rejected the item on a different ground than the clerk. It may [3] not have been said so formally. I don't recall what was said formally. But my own recollection is that I deemed that that was a usurious contract and it would be contrary to public policy.

Mr. Hoppe: That's the ground that I thought your Honor had ruled on it, not on the exercise of discretion. And the court said that the allowance of it was a matter of discretion. So I do think, since

the court did not go into the ground that you had ruled on, and said that it was a matter of discretion rather than a matter of strict non-allowance, I would think it is open for a review here at this time to see whether your Honor would care to exercise his discretion or not.

The Court: It would give the court sanction to a usurious transaction, as I view it. If I had the discretion to exercise now I would still exercise it in the same way I did before.

Mr. Hoppe: I was just curious, your Honor, whether it had been allowed or disallowed in your discretion last time, and I did not so understand it. I understood it that it was because your Honor was of the view that the contract was a usurious contract.

The Court: That is my view and was my view then. I may have affirmed the clerk without saying so. I don't recall just how the ruling was made. [4]

Mr. Hoppe: Well, on the procedure—as your Honor knows, this is the first time I have ever been before your Honor on what might be called either a trial, or really a retrial. And I just picked up your Honor's list of mimeographed rules here and I do think that we can speed this up if we could have a 15-minute recess so I could have the clerk mark the exhibits in accordance with Item 3 on your mimeographed list. I think it will speed things up a great deal.

The Court: Very well. This is a new trial. May it be stipulated that the record previously made

upon previous trials and hearings will be introduced now in evidence upon this trial?

Mr. Hoppe: I would not be willing so to stipulate, your Honor.

I want to take parts of the earlier record as admissions against interest. But I would not like to stipulate that any testimony which was not against interest could be received on this hearing, because I think one of the points that we have before your Honor is the mode in which the evidence was presented on the first trial to your Honor. And I don't think it would be fair to my client to stipulate that the earlier record could be used without limitations.

The Court: Very well.

Mr. Lyon: Am I to understand that we can't use the earlier record; that this is just a new trial and not further [5] trial proceedings in which you want to adduce new and different evidence?

The Court: I take it you are not offering any new evidence on the issues of validity and infringement.

Mr. Hoppe: No, sir.

The Court: What about the evidence relative to those issues?

Mr. Hoppe: Well, I can give your Honor an example as to why it would be against the interest of the plaintiff to stipulate to the earlier trial.

The Court: I don't question your discretion in the matter, Mr. Hoppe. The problem we have here is that the findings are at large now, as I understand the record.

Mr. Hoppe: The findings on damages and attorneys' fees.

The Court: The findings of validity and infringement are at large.

Mr. Hoppe: I won't agree with your Honor.

The Court: Then you believe that the findings and judgment as made following remand after the first appeal are still in effect, and that the court has merely ruled that this court did not adjudicate two issues that should have been adjudicated, namely, the question of the issue of damages and attorneys' fees.

Mr. Hoppe: I think those are the only questions that are at large, your Honor. [6]

The Court: Very well. If we are in agreement on that then the other record stands with respect to validity and infringement. Is that agreed, Mr. Lyon?

Mr. Lyon: Yes, that is agreed, your Honor. But I think that the other record should stand on this question, too. Do we have to bring all the witnesses back and start over? Mr. Hoppe's predecessor put in his case on this matter of alleged unfair competition that is now before your Honor. The entire case was put in. I know your Honor ruled at that time that the evidence didn't support it, but that it was sent for reconsideration when the patent was held not infringed.

The Court: Well, is it agreed that either side may use any portion of the record made upon the former trial?

Mr. Hoppe: I would agree, your Honor, that

either side could use any admissions against interest which appear in the earlier record, because that is the general rule anyway. But there is much hearsay that was relied on in the argument to the Court of Appeals in favor of good faith on the part of the defendant, and I don't like to have that hearsay relied upon here. That is why I would think that a blanket admission that the entire record could be used would be too broad.

The Court: Suppose Mr. Lyon wishes to use the testimony of one of his witnesses—and I don't have any one particularly in mind—instead of calling a witness, is it agreeable that he use the witness' testimony upon the previous trial? [7]

Mr. Hoppe: It would be, your Honor, if I could reserve objections as to the part he wants to use on the basis of either hearsay or any other objection. He could use it as a deposition. That would be perfectly all right with me.

Mr. Lyon: I prefer to state it this way: We can stipulate that the old record is a part of this one, subject, of course, to your Honor's control with regard to whether the various purported parts of evidence in it would be admissible. In other words, your Honor at any time during the trial of the case can change his mind about his ruling or an objection, and I think that still pertains here. In other words, I think this is just a further trial of the same issues.

The Court: Well, Mr. Hoppe wishes to offer new evidence.

Mr. Lyon: Well, I understand that. And I also

understand that you ruled that he may, although I would like to formally reserve an objection on the grounds that he has made no motion to put in new evidence and made no showing this is new evidence. But that, notwithstanding, I would be perfectly happy to enter into a stipulation whereby Mr. Hoppe can make such objections, based on the law of evidence, as he chooses to portions of the old record. And I would like to be able to do the same thing.

Mr. Hoppe: Well, your Honor, that would be satisfactory to me, just so long as it would be understood that if at the earlier trial evidence was received which was otherwise hearsay [8] that at this trial any waiver of hearsay at that time would not carry through to this trial.

The Court: Well, as I understand Mr. Lyon's proposal it is that any objections that properly may be made, or motions to strike which properly may be made would be available to each of you. Is that it?

Mr. Lyon: That was my intention.

The Court: Do you have the record of the previous trial?

Mr. Hoppe: Yes, your Honor. But if we were to bring a motion to strike, your Honor, the motion to strike would be so voluminous because there is much that has to do with the issue of infringement and much that has to do with the issue of validity.

The Court: Well, those have been settled, haven't they? Those have been laid to rest.

Mr. Hoppe: But they should not be part of the

record. I personally seriously, your Honor, think it would be more cumbersome procedure to bring a motion to strike everything that you don't want in the old record than it would be to read the portions of the old record that you want in evidence, much as we read depositions in evidence. Because there are only a few pages of the existing record that I would like, your Honor.

The Court: The case has been partially tried and that [9] record is made, and the findings have been made and the judgments made, and all of that is final now, isn't it?

Mr. Hoppe: That is right, your Honor.

The Court: And the court has sent it back here for the trial—laying aside the cost question because those are always supplemental to the trial anyhow—but the court has sent it back for the trial of these two issues. Now, if it went up again wouldn't the court consider the whole record in the case? Wouldn't they consider what we make here now and what we made before?

Mr. Hoppe: If we were to stipulate, your Honor, that the old record made in this case were to be used with the same force and effect as though it were a record made on this retrial, then the Court of Appeals would, of course, consider it.

The Court: But we aren't retrying any issues now, are we?

Mr. Hoppe: Just the issues of damages and attorneys' fees.

The Court: That has never been tried, the court ruled.

Mr. Hoppe: Yes.

The Court: So we aren't retrying anything, are we? We are just trying two issues that the Court of Appeals said we overlooked. Isn't that the situation?

Mr. Hoppe: Well, I would say that your Honor is generally [10] correct.

The Court: So aren't we supplementing the old record? I should think that if the case went up again the court would consider the transcript up to the pages you have there would be part of the transcript and the transcript we make from today on would be another part of the transcript.

Mr. Lyon: Your Honor, isn't it true that much of the plaintiff's case in which he alleges this bad faith seems to be based on what the plaintiff proposed took place at the first trial? I don't see how we can proceed without considering the earlier proceedings. I thought that is what his argument was.

The Court: I believe you will be supplementing the first transcript. If we were retrying issues previously tried, I would say the matter would be at large. But since we are not retrying any issues previously tried, and we are trying issues that were not adjudicated in any prior trial, it seems to me we will be merely supplementing the transcript and that you would be under the burden of eliminating from that record anything that you don't want in it.

Mr. Hoppe: I think you and I are saying the

same thing, your Honor, but we are getting at it from a different side of the tree.

The Court: Probably.

Mr. Hoppe: The only reason I wouldn't want the whole [11] record in there on the question of damages and attorneys' fees is that I don't think it's all material and relevant on the question of damages and attorneys' fees; although, physically, the record is there. Now, there are certain parts of it which we think are very relevant, but not—like, for example, some of the things that we say are evidence of bad faith if there is bad faith. I would like to give your Honor an example of one of the situations we have to illustrate why it wouldn't be feasible just to accept the old record as an old record. And that is with respect to one of these exhibits, which was originally Defendant's Exhibit J. Your Honor will recall that Mr. Marx testified that that was typical of the half-tone problems of the day. Now, if we were to use that old record, that would become evidence of the fact that those were typical. Now, on this particular question of damages we would like to refer and introduce that testimony on this question of damages, but not as proof of the statement but as a verbal act, and we then have illustrations of half-tone photography of that date which is everywhere near as good as the stuff Marx did, merely to show that it was not a proper presentation of the state of the art on the first hearing. And as a consequence we will argue—although we won't put this in evidence—when the record is in we will argue that

was one of the things that led this question of equivalents too far afield which resulted in, [12] possibly, the reversal here.

Another thing—and I just cite this to show you how difficult it would be to bring a motion to figure out whether you are going to strike part of the old record—the other thing is, your Honor will recall, that this whole controversy started really on October 7, 1948, at which time Mr. Marx displayed a letter at the convention saying that the “* * * Kemart process infringes our patent * * *” and in that letter Mr. McCaleb, who was the president of Printing Arts Research, said, “I have made a thorough study of the patents.” Now, if that letter presently is in evidence on the old record and the hearsay statement “I have made a study of the old patents” is in truth a part of the old record, and on the question of damages we want to put that letter in evidence, not as proof of its contents but as a verbal act so that we will wipe out that hearsay—because I don’t believe that anyone did make any investigation of these patents, because Mr. Marx testified in some of the depositions——

The Court: Well, was it received at the trial as evidence that he had made a study? It wasn’t received as evidence.

Mr. Hoppe: No, your Honor.

The Court: It was received only as evidence that he said so, wasn’t it?

Mr. Hoppe: Well, it was received generally, and I—— [13]

The Court: Well, I don’t see, Mr. Hoppe—to

shorten this—I just don't see that it makes any difference what we agree here. It seems to me that the record is already made up to this point, and since we are not retrying those issues, the issues which were adjudicated on that record stand and it seems to me that the record would have to stand.

Now, it's for us to supplement it upon a trial of these additional issues. This is like an equity case, in effect, where we adjudicated all the main issues, and some ancillary issues such as allowance of attorneys' fees and supplemental relief comes up and the court has to take judicial notice of what has gone before.

Mr. Hoppe: Well, I think, then, that we are all really in agreement, your Honor. All I want to do is make sure that I am not bound by any hearsay in the earlier record.

The Court: Well, we will disregard it if it is there, if it is hearsay, because the Court of Appeals presumes that we disregard all incompetent evidence, in any event. And whatever is there will not be used as proof of any fact.

Mr. Hoppe: If that is agreeable with counsel for the defendant, that is agreeable to me; that we will not rely upon any hearsay statements contained in the existing record, but the rest of the record, where material and otherwise relevant, can be relied upon.

Mr. Lyon: I can't accept a statement of counsel that [14] way. I am only willing, sir, to go along as you have said, and I agree one hundred per cent with you.

The Court: Very well. Perhaps we are not apart at all, gentlemen. If there are any matters in the record that are relied upon as proof of a fact which is hearsay they will not be accepted as proof of the fact. They might be accepted as proof, as you suggest, of an oral act.

But we will take a recess now, subject to call, and you let the clerk know when you are ready.

Mr. Hoppe: Very well, your Honor.

(Short recess.)

Mr. Hoppe: Your Honor, I would like to call Mr. Adams to the stand.

Mr. Adams, would you take the stand, please.

FRANK P. ADAMS

called as a witness by and on behalf of the plaintiff, having been first duly sworn, was examined and testified as follows:

The Clerk: Will you state your name, please?

The Witness: Frank P. Adams.

Direct Examination

Q. (By Mr. Hoppe): Mr. Adams, are you the same Mr. Adams who has testified at earlier hearings in this case? A. Yes. [15]

Mr. Hoppe: May I hand earlier Plaintiff's Exhibit 29 to the witness?

(Whereupon the document was placed before the witness.)

Mr. Hoppe: Plaintiff's Exhibit No. 29 is something which purports to be a copy of a letter from Mr. McCaleb to Kemart Corporation dated in November of 1948.

(Testimony of Frank P. Adams.)

Q. (By Mr. Hoppe): Mr. Adams, referring to the portion of that letter on page 1 and page 2 which purports to be a quotation from an earlier letter, would you please state the circumstances under which you saw that earlier letter as mentioned in Plaintiff's Exhibit 29?

A. I was in Cleveland, Ohio, at the Statler Hotel at the time of the American Photoengravers convention there. It was the opening day of the convention, the 7th of October, and shortly before noon Mr. Walter Marx and Mr. William Pensinger, who were representing the Printing Arts Research Laboratories, beckoned to me across the room. They had an exhibition booth there, and I had the Kemart exhibit booth across the room. And as the activities of these booths subsided somewhat for the lunch hour, I responded to their beckoning and went over there and talked to them. And at that time they showed me this quoted letter which was signed by Mr. McCaleb and told me at that time they felt that what Kemart was doing in its business was an infringement of their patent which they were licensing under the Fluorographic process. And I told them I thought it was not. And prior to engaging in the licensing of the Kemart process we had made a thorough study of that matter. And we left it. We disagreed as to whether or not what they said was true and whether or not what I said was true. We had no way of reconciling our different opinions.

(Testimony of Frank P. Adams.)

Q. Now did you hear about that letter from others than Mr. Marx and Mr. Pensinger?

A. Yes. That evening I learned that others had seen this letter.

Q. And on what date was that, Mr. Adams?

A. Well, that was the same day. It was the first day of the convention. I believe that was October 7, 1948.

The Court: By "others," you mean other people connected with other concerns?

The Witness: Well, yes, your Honor. One of them was a Mr. Schmidt who was the head of the Harold M. Pittman Company, and that firm is the largest graphic arts supply firm in the country. And he had been handling Fluorographic products, and he was also a dealer for Kemart products. And his salesmen were selling our products. And the communication to him was a rather meaningful thing. It concerned me very much at the time.

Another person that I learned had heard it—seen it, rather—was a Mr. Louis Flader who I think has since retired [17] but at that time was still the secretary of the American Photoengravers Association, and was the editor of the Photoengravers Bulletin, which is the trade journal which circulates to everybody in the industry. And also—

Mr. Lyon: Your Honor, I object to the questions and answers and move that they be stricken unless it is shown how Mr. Adams obtained this information. It is not shown that he discussed these matters with Mr. Schmidt and Mr. Flader.

(Testimony of Frank P. Adams.)

As far as I know, it may be hearsay that they received any communication.

The Witness: Well, I did discuss it with them. That is how I learned that they had seen it.

The Court: That was Mr. Lyon's point.

The Witness: Yes. I am sorry. I shouldn't have said that, I guess. I did discuss it with Mr. Flader and with Mr. Schmidt and with Mr. Mertle.

The Court: Who is Mr. Mertle?

The Witness: Mr. Mertle in that year was bringing out a book in collaboration with Mr. Flader to be called "Modern Photoengraving," and it was a comprehensive book of everything in the industry. Mr. Mertle is a columnist. He writes articles for the Photoengravers Bulletin and the National Lithographer, discussing technical problems and problems relating to the industry; and, along with other people, Kemart had hired him as a technical consultant. He is an independent [18] person in his role as a writer of articles.

Mr. Lyon: Your Honor, perhaps at least for my own purposes we can get a general ruling from you as to how we shall proceed. This evidence was all adduced in the exact same way earlier in the case. Mr. Adams testified, in so far as I can see from reading the transcript, in the exact same manner before you a few years ago.

The Court: Yes, I believe I recall it generally. Is it your purpose to repeat it, Mr. Hoppe?

Mr. Hoppe: This is just preliminary to some new testimony, your Honor.

(Testimony of Frank P. Adams.)

The Court: Very well.

Q. (By Mr. Hoppe): Now, following the time that you heard that these charges had been circulated at the convention, what did you do, Mr. Adams? Clear up the matter.

A. Well, in response to these things I stated to anybody that I thought was interested in the subject that I disagreed on the conclusions, and that I felt that what we were doing was an independent thing which we had a perfect right to do. And I wrote a letter home to Mr. Berry that night and told him what had happened and said, "As soon as I get home we must get into a conference on this subject."

And I then stayed at the convention for the next two days and proceeded about the selling of Kemart just as Mr. Marx proceeded about the selling of Fluorographic. [19]

Q. Outside of the verbal acts, Mr. Adams, I am interested in whether you did things to clear up the charges that may have resulted in expense to the Kemart Corporation.

A. While at the convention, Mr. Hoppe?

Q. After the charges had been made.

A. After I got home I sent out a communication to the licensees and——

The Court: The licensees of the Kemart process?

The Witness: Of the Kemart process. Because I didn't know how far this discussion had gone.

(Testimony of Frank P. Adams.)

Mr. Hoppe: I hand the witness Plaintiff's Exhibit 60 for identification.

Mr. Lyon: May I have a copy of that, counsel?

Mr. Hoppe: I showed you a copy before.

Mr. Lyon: I would like to have one before me.

Mr. Hoppe: I will see if I have some more copies of those, counsel.

The Witness: This is not marked.

The Clerk: It is on the back.

The Witness: Thank you.

The Court: Wasn't Mr. McCaleb the attorney?

Mr. Lyon: Yes, sir.

The Court: He is since deceased, is that right?

Mr. Lyon: He was the attorney who represented Printing Arts. He tried the case before you, and is now deceased. [20]

The Court: I remember him. I had that recollection.

Mr. Hoppe: Mr. McCaleb was also president of the Printing Arts Research Laboratories.

The Court: He was also a practicing patent attorney in Chicago.

Mr. Hoppe: Yes, he was in Chicago, your Honor.

Mr. Lyon, that is the only copy of that I have. That is why I wanted to show you those copies.

Mr. Lyon: Yes, I looked at it. I have seen it. But I have some difficulty in retaining it in my head.

The Court: Well, have you finished with it?

The Witness: Yes. I have identified it. I know what it is. I wrote the letter.

(Testimony of Frank P. Adams.)

The Court: The clerk will hand it to Mr. Lyon.

(Whereupon the document was handed to counsel.)

The Court: Is your purpose to establish how much it cost the plaintiff—

Mr. Hoppe: Yes, your Honor, to show how much it cost us to clear up these charges, and what we had to do.

Q. (By Mr. Hoppe): Now, besides doing that, Mr. Adams, did you do other things to clear up the charges? A. Yes.

Q. What else did you do, Mr. Adams?

A. Well, I believe that's the letter that I sent to the editor of the Photoengravers Bulletin and told him if he [21] cared to publish it that it would be fine, because I wanted to get my statement of opinions to as many people as I could. And that letter we have here was mailed to all the Kemart licensees, and mimeographed so that a copy could also go to our dealers for any prospective Kemart licensees who would be interested in knowing what position we felt was the right position.

Q. Now, in that letter you refer to "litigation." Is that the suit that we are now fighting?

A. Yes. We filed that suit just before that letter, I believe.

Q. And who bore the expense of that litigation?

A. Kemart Corporation did.

Mr. Hoppe: Now, your Honor, I don't know whether at this hearing it is your Honor's desire that I should go into the question of damages gen-

(Testimony of Frank P. Adams.)

erally to show general damages so that we can have an accounting as to specific damages, or if it is your Honor's desire that we should go into the exact amount of damages. We are prepared to go either way.

Mr. Lyon has a comment that I think you would like to hear.

The Court: All right.

Mr. Lyon: Originally, I believe, your Honor, plaintiff asked for an accounting. Mr. Hoppe has presented me with some tabulations—— [22]

Mr. Hoppe: We haven't come up to that yet.

Mr. Lyon: But it indicates to me that it is going to be a very burdensome thing if we are going——

The Court: Accounting for damages for infringement?

Mr. Lyon: No. An accounting for damages on this matter of unfair competition. That's what plaintiff asked for. Now, it seems to me it's going to be extremely burdensome to go into those details in amount of damages at this time. I know, as far as I am concerned, I would want to examine plaintiff's witnesses on each and every one of these alleged transactions that are supposed to establish the money amount of damages. Perhaps we could better dispose of the matter as the other side previously requested, and that is by way of reserving that matter of the amount of damages for an accounting just in the event that you decide that any damages whatsoever are to be forthcoming.

(Testimony of Frank P. Adams.)

Mr. Hoppe: Well, your Honor, either way that your Honor would like it.

The Court: Suppose we hear the evidence first on the issue of liability and then reserve the detained evidence on the issue of the damages until a ruling on the question of liability is made, if that is practicable. If it isn't practicable we will refer——

Mr. Hoppe: Then we will not go into details, but we will just go into generalities on the question of damages to [23] show that we will be entitled to them if we prevail on the main issues.

The Court: Yes, to show that they are matters of substance.

Q. (By Mr. Hoppe): Now, Mr. Adams, without affirmatively establishing the exact amount of the damages at this time in view of his Honor's ruling, about how much money did Kemart spend on this litigation?

Mr. Lyon: I object, your Honor. I don't think that is relevant. I don't think it is a proper item of damages to start with.

Mr. Hoppe: Your Honor, I prepared for that. It was brought out in this hearing—this libel took place in the State of Ohio, and the Ohio law is set down in *Finney v. Smith*, which is 31 Ohio State 529 and it says, "It is well settled in Ohio that as part of the damages in a libel case there are the expenses of clearing up the charge, which includes attorneys' fees and all of the expenses of litigation." Ohio has the minority rule in that case. And

(Testimony of Frank P. Adams.)

at the hearing before the Court of Appeals counsel for both sides agreed that the Ohio law applies to this particular libel.

Mr. Lyon: This is not a libel. Mr. Hoppe assumes that, but it is far from a libel. That's a label that Mr. Hoppe puts on this case. But it is a pure and simple case of unfair competition, of which your Honor has many. Mr. Hoppe [24] calls it a libel because he can't prove bad faith. We are not willing to concede that because he does call it a libel that that means that he can now proceed to establish what the suit cost Kemart. It's the same kind of an unfair competition case, I think, that was alleged before your Honor in the Wright-Hall fiasco that has been going on for so many years.

The Court: There is no libel pleaded, is there, Mr. Hoppe?

Mr. Hoppe: Yes, your Honor. It is alleged that the charge was made and the charge was made and the charge was false.

The Court: It's claimed to be unfair competition.

Mr. Hoppe: The Court of Appeals indicated that it was a libel case. They said we are claiming damages for libel in the decision, your Honor, the very first paragraph of the decision.

The Court: Is it a separate cause of action?

Mr. Hoppe: No, it's all mixed up in the same ball of wax, your Honor.

The Court: How would the court have jurisdiction of it? Is there diversity of citizenship?

(Testimony of Frank P. Adams.)

Mr. Hoppe: There is diversity of citizenship, your Honor. And the amount involved is more than \$3000. We must, of course, prove that.

The Court: I will overrule the objection and hear the [25] evidence. You may have two causes of action in one.

Mr. Hoppe: It may also be unfair competition, your Honor. But in Ohio they say this type of a charge is a libel and a slander.

The Court: Libel of title?

Mr. Hoppe: No. Libel per se, your Honor, in Ohio.

The Court: Libel of the title to the patent?

Mr. Hoppe: Business libel.

The Court: Disparagement of contract?

Mr. Hoppe: Yes. It says that as soon as somebody says that nobody is going to want to deal with you and it's about as bad a libel as you can have.

The Court: In other words, if you walk up to a businessman and say, "you are infringing my patent," is that a slander?

Mr. Hoppe: That's a libel in Ohio, your Honor.

The Court: Oral slander.

Mr. Hoppe: If it is oral it would be a slander and if it is in writing it would be a libel. And this was in writing, the publication of a writing is discussing it with the people at the convention.

The Court: Very well.

Mr. Lyon: I do not agree, of course.

The Court: We had that discussion at some length before.

(Testimony of Frank P. Adams.)

Mr. Lyon: I thought you had already ruled on most of [26] these matters that Mr. Hoppe is bringing up. It seems to me that he is rearguing legal points that you have decided already. My understanding was that he——

The Court: Well, let's get the evidence and then we will thrash out the legal questions.

Mr. Hoppe: Would you repeat the question to Mr. Adams, please?

The Court: Wasn't it about how much it did cost to defend this case?

Mr. Hoppe: Yes.

The Court: Just approximately.

The Witness: About \$35,000.

The Court: Is that attorneys' fees and costs?

The Witness: It includes that. That would be the net cost after what we got back on return of the court costs.

Q. (By Mr. Hoppe): That is attorneys' fees, expenses of experts—— A. Yes.

Q. ——costs of printing?

A. We traveled down here to do it. Printing costs. And some of it, of course, was allowed as returnable costs. But that figure of \$35,000 is the net out-of-pocket after what came back.

Q. What, if anything, Mr. Adams, during the period between the time of the publication on October 7, 1948, and the [27] entry of the final decree on the infringement question here did Kemart do in an effort to litigate damages, if it did anything?

A. Well, we did a great deal. It consisted of

(Testimony of Frank P. Adams.)

talks and letter writing, primarily to our licensees, to endeavor to reassure them that we were trying to protect our business from destruction. Naturally, we had people that wanted to cancel the licenses. We attempted to persuade them against that. And it was pretty much a question of who they'd believe. If they believed us they would go on as though no threats had been made. If they believed the other side, why, we lost the business. And it was not only a matter of keeping what we had in terms of licenses, which were subject to cancellation on notice anyway—I think for a while it was 30 days and later 60 days notice—but it was the problem of going on to sell new accounts and to convince people they should do business with us and that they should not have any fears of claims but using the Fluorographic Process when they operated under what we taught them under the Kemart Process.

Mr. Lyon: Your Honor, I move that the answer be stricken in so far as it refers to “if they believed the other side.” There is no evidence that I know of brought forth that proves Mr. Adams' customers generally were ever approached by the defendant in this action. As I understand it, there were three people to whom he referred, the people [28] that were at that Photoengravers convention, and I think but one, or possibly two of them, were customers. There is nothing established to the effect that Printing Arts Research was running to the customers of Kemart.

(Testimony of Frank P. Adams.)

So far as I know, from reading the old record, the first that the trade generally knew of this legal battle between the two companies was when Kemart Corporation—that is, Mr. Adams' company—put it in the newspapers when they filed the suit that we are still engaged in here.

But back to my basic objection, I don't think it is proper for him to testify as to his customers' believing the other side when it has not been established that they had ever been approached by the other side.

So I move to strike that portion of the answer.

Mr. Hoppe: What do you mean? Just whether they believed the other side?

I would agree that that language should be stricken, whether they believed the other side.

The Court: Very well. The motion is granted.

Q. (By Mr. Hoppe): Did you do anything after the judgment was entered against you in the first instance to endeavor to mitigate damages, Mr. Adams? A. Yes. We informed——

Mr. Lyon: I object to the leading nature of these questions, your Honor. Every one has been posed with "what did [29] you do to mitigate damages?" I think he can arrive at it without pointing the way to Mr. Adams.

Q. (By Mr. Hoppe): Well, what else, if anything, Mr. Adams, did you do to reduce the impact of the charges of infringement?

A. Well, besides communications to individuals who were obviously interested or inquired, by way

(Testimony of Frank P. Adams.)

of telling them to ignore the threats and writing letters about that, we published——

Mr. Lyon: We make the same motion. Again we have this business of Mr. Adams assuming that the entire trade has been approached or threatened by Printing Arts Research Corporation. So far as I know only one or two persons ever heard of the fight as far as Printing Arts were concerned, and those were the people at the convention.

The Court: What do you mean by that, Mr. Adams? That you assumed or you were apprehensive that they might have heard of it, is that it?

The Witness: Well, sir, my reason for believing that in part——

The Court: It doesn't make any difference whether you believed it or not.

The Witness: Well, Mr. Flader and Mr. Mertle and Mr. Schmidt, to tell those people, and then all the people they would tell, and obviously tell. [30]

The Court: You were apprehensive that this talk would *go the* trade?

The Witness: Well, it developed that it had. We learned from people——

The Court: According to your understanding it did?

The Witness: You bet it did. It certainly did.

Mr. Hoppe: I will cover that.

Mr. Lyon: Well, I object to the hearsay.

The Court: That is his understanding.

Mr. Lyon: I see, your Honor. I think your Honor should know that by this time Mr. Adams

(Testimony of Frank P. Adams.)

had put the case in the newspaper, and I think that is——

The Court: Well, you may bring that out on cross examination.

Mr. Hoppe: I will now hand to the witness Plaintiff's Exhibits 61, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, and 73.

I will show these to counsel for the defendant first.

(Whereupon the documents were passed to counsel.)

The Court: Are the pleadings that we are proceeding upon in the transcript on appeal?

Mr. Hoppe: Yes, they are, your Honor.

The Court: There have been no supplemental pleadings?

Mr. Hoppe: No, your Honor.

The Court: We are proceeding on the original pleadings that were in vogue at least at the time of the trial. [31]

Mr. Hoppe: Yes, your Honor.

The Court: Now, your question to Mr. Adams?

Q. (By Mr. Hoppe): Mr. Adams, would you explain what those papers are that I now hand to you?

(Whereupon the documents referred to were handed to the witness.)

Q. (By Mr. Hoppe): Do so collectively, if you can.

A. Do you want me to identify them?

(Testimony of Frank P. Adams.)

Q. No. They are identified in the record, Mr. Adams.

The Court: In general, tell us what they consist of.

Q. (By Mr. Hoppe): Just generally what they consist of.

A. They represent letters that were written to Kemart in late '48 and in early '49—some of them go to July '49—expressing concern over this question of whether or not what they were doing or contemplating to do in reference to Kemart would be regarded as infringing Fluorographic; and they were expressing concern over threats of suit.

Mr. Hoppe: May I have those, Mr. Adams?

(Whereupon the documents were handed to counsel.)

Mr. Hoppe: Your Honor, may I read just a few excerpts of these letters? It will take me about five minutes to do so. And then your Honor will not have to do so.

The Court: What is the record of appeal on this case?

Mr. Hoppe: There are several records. One is 12948.

Mr. Lyon: The last one was 14299, concerned [32] with the mandate as the result of that appeal.

Mr. Hoppe: One is 13601 and one is 14299.

The Court: Three sets of records? Well, which is the one that contains the record on the trial, and the pleadings?

Mr. Hoppe: 12948.

(Testimony of Frank P. Adams.)

Now, your Honor, plaintiff's Exhibit 61 for identification is a letter from the Harold M. Pitman Company to Kemart Corporation.

The Court: Mr. Hoppe, if you wish I will take those and read them over the adjournment. Unless there is something particular you wish to call my attention to.

Mr. Hoppe: I just wanted to call your attention to one paragraph of each letter. But if your Honor would prefer to read them——

The Court: I will read them and then you may cover it in argument.

Mr. Clerk, may I have them?

(Whereupon the documents referred to were handed to the court.)

Q. (By Mr. Hoppe): Now, Kemart Corporation received these letters, Mr. Adams?

A. Yes.

Mr. Hoppe: We offer in evidence the exhibits which I have just identified.

Mr. Lyon: Objection, your Honor. There is no [33] materiality whatsoever shown for them. They are unauthenticated, and if they are entered as material to show that the things that the letters purport, say happened, did happen, why, they are simply nothing but hearsay.

Mr. Hoppe: Your Honor, this objection has been made time and time again where there have been letters that have come in from the trade in response to charges of one kind or another and the Supreme Court——

(Testimony of Frank P. Adams.)

The Court: You are offering them for the oral facts, are you?

Mr. Hoppe: No, I am not offering them as proof of the fact——

The Court: But as proof of the fact that they were written, is that it?

Mr. Hoppe: And showing the effect of the acts of Printing Arts Research Laboratories; just to show the effect.

Mr. Lyon: I think that makes them hearsay. The fact that they were written is of course not hearsay and I don't object on that ground.

Mr. Hoppe: Would your Honor like to hear me on that? I am prepared with chapter and verse showing that those are admissible in evidence as an exception to the hearsay rule, your Honor.

Mr. Lyon: Your Honor, may I make my position further clear? Aside from the hearsay rule, [34] there is simply not one iota of evidence that establishes that those people with the possible exception of the ones we have mentioned, were ever approached in any way by any representatives of the defendant Printing Arts Research Laboratories.

The Court: Is this a full-page advertisement? It is in evidence, is it not? The full-page advertisement referred to as having appeared in the May issue of the Photoengravers Bulletin. That is here, isn't it? Not among these, but it is in evidence here?

Mr. Hoppe: Yes, it is.

(Testimony of Frank P. Adams.)

The Court: Suppose you offer that. It seems to me that becomes——

Mr. Hoppe: I had figured, your Honor, that since that is not hearsay that that comes within your Honor's ruling that that is before the court on this hearing.

Mr. Lyon: Yes, I agree that it is before you. But the point is, your Honor, that advertisement was subsequent to an advertisement in the same publication which was published by the plaintiff Kemart people. That was in answer to their publicity which they released in the same publication when they filed this suit. And so I propose that there is nothing at all here by way of proof that these people who seem to have had trepidations about using the Kemart process received their trepidations from the Kemart people themselves from their earlier advertisement. [35]

The Court: That may go to the weight of it rather than the admissibility.

Mr. Lyon: You think it doesn't go to the admissibility?

The Court: The objection will be overruled and Exhibits 61, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, and 73 are received in evidence.

(The documents referred to were marked Plaintiff's Exhibits Nos. 61, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, and 73 and received in evidence.)

[See pages 268-282.]

Mr. Hoppe: Now, Mr. Adams, you will recall

(Testimony of Frank P. Adams.)

that in 1951 there was a judgment of infringement entered against Kemart Corporation in this case. Do you recall that?

A. Yes. I don't know the date.

Q. What did you do after that judgment was entered against you in relationship to the question of infringement, if anything?

A. Well, I sent a letter to our licensees about it, and——

Q. Outside of correspondence what did you do?

A. There was that mimeographed letter to our licensees.

Q. Well, did you do anything to try to comply with the court's order?

A. Oh, yes. That, I think, is when we made these studies and worked on the development of a blue light system to endeavor to carry out our business [36] and still comply with the court's order. It was a question of interpreting the extent of the order and how we could comply with it and still operate our Kemart process.

Q. Would you describe the nature of what you did and the expense of it?

A. We felt that——

Q. What did you do?

A. We endeavored first to find types of colored light transmitting filters which would transmit a light to irradiate our fluorescent areas in our copy which would excite them sufficiently to generate the fluorescence we needed to make the process work and still would not be ultraviolet light as

(Testimony of Frank P. Adams.)
defined in the order. That meant in practice that we evolved what we called a blue light, and it contained some ultraviolet and also some visible blue, and because of that mixture it was not ultraviolet light only.

To do that we had expenses of research and development. Mr. Berry in the company for a period there didn't do much of anything else. At that time we employed Mr. Hoppe to handle the matter and appear before this court by way of a petition for a—well, it would be, I guess, a definition of whether or not this thing we had developed as an alternate would qualify and would or would not come within the terms of the enjoined practices.

The Court: There was a motion made at that time. [37]

Mr. Hoppe: Yes, there was, your Honor.

The Witness: And it was preliminary to that motion that we sought that avenue of compliance and in a way that was consistent with our staying in business, which was a hazard at that time.

Q. (By Mr. Hoppe): Now, without limiting either the defendant or the plaintiff to proof of the actual cost of that, what is an estimate of the cost of that particular effort on your part?

A. I'd say about \$10,000.

Q. Now, Mr. Adams, have you studied the sales figures and the cancellation figures of new sales of Kemart licensees and cancellations of existing licenses during the period from the beginning of the

(Testimony of Frank P. Adams.)

organization of Kemart Corporation until the present time? A. I have.

Q. And without being specific in your figures what, if anything, did you note with respect to the cancellations with respect to the period up to October 7, 1948, the period between October 7, 1948, and January of 1953 when you were cleared of the charge of infringement, and the period from January 1953 to the present date?

A. That would be three periods.

Q. Three periods.

A. Well, in the second period our cancellations [38] were substantially at a higher rate than they were before that and after that.

Q. Do you know Mr. Frey?

A. There is a Mr. Frey who works for Printing Arts Research.

Q. Who is he?

A. His name is Ed Frey. I think he lives in Kansas City. He travels the eastern and central parts of the country in selling and representing Printing Arts Research Laboratories as a salesman. And I see him each year at the Photoengravers Convention.

Q. Have you discussed with Mr. Frey the question of the Printing Arts Research sales of Fluorographic licenses and your competitive sale of Kemart licenses? A. Yes, I have.

Q. During the course of those discussions do you recall whether or not the question of patent infringement came up?

(Testimony of Frank P. Adams.)

A. Yes. I particularly remember——

Mr. Lyon: Well——

Mr. Hoppe: This is just a preliminary question.

Mr. Lyon: ——I object and ask that a better foundation be laid. If you are going to ask him what came up I want to know when and where and who was present.

Mr. Hoppe: That is what we are coming to next, counsel.

Q. What is your answer? [39]

A. I particularly recall an occasion at the time of the Boston convention, which would be about—it's always the 7th, 8th or 9th of October—and that was in 1954. And we were both there as usual.

Q. Who else was there?

A. Well, at the time I had this discussion with Mr. Frey no one else, just the two of us. We met in the hall, or something. We always did. And we always stopped and talked.

Q. What did Mr. Frey say to you and what did you say to him concerning the questions of patent infringement?

A. Well, at that time he was—I guess taunting me would be the word—that one of our representatives had been in Miami and just about sold an account there and had left the papers to be sent back, and that he had arrived there just afterwards and he prevented it, and he stated he told them if they took Kemart, why, they were going to be sued.

Q. And this was on what date?

(Testimony of Frank P. Adams.)

A. He told me this in October of 1954.

Q. And that is after the judgment of non-infringement was entered in this court after the Court of Appeals mandate, is that correct?

A. I don't—

Q. That was in 1953.

A. Yes, it would be. I don't remember the date of that. [40]

Mr. Lyon: Now, I object to the hearsay nature of this testimony if it is to be proof that Frey actually approached those people and said what you said he said. I don't think it is competent since we haven't an opportunity to cross examine anybody in connection with what actually went on between Mr. Frey and the alleged potential Kem-art customer.

Mr. Hoppe: May it please the court, that is an exception to the hearsay rule. It is an admission against interest. Mr. Frey was an employee of Printing Arts Research Laboratories at the time the charge was made—I mean, at the time this conversation took place. Since it is a conversation of the principal, one of the principals was there, clearly it's an exception to the hearsay rule.

Mr. Lyon: I am not satisfied it was shown that Mr. Frey was acting for Printing Arts Research Laboratories when he got into this casual conversation with Mr. Adams. I don't see that he was in the scope of this authority to bind Printing Arts Research Laboratories to an admission against interest.

(Testimony of Frank P. Adams.)

The Court: What is his capacity?

Mr. Hoppe: Mr. Adams testified he was a salesman for Printing Arts Research at the time.

The Witness: He was in charge of their exhibit booth at that Boston convention.

Mr. Lyon: Your Honor, he certainly wasn't [41] trying to sell anything to Mr. Adams. When he was talking to Mr. Adams I think it is purely a discussion outside of his scope of authority. It's just one of these typical jawing sessions. He wasn't working for PAR.

The Court: What does the record show about his connection generally? Was he a commissioned salesman? Was he a full-time employee?

Mr. Hoppe: Well, Mr. Adams testified that he ran into Mr. Frey at all of the conventions. And he also testified that Mr. Frey was in charge of the Printing Arts Research Laboratories booth at one of these conventions. Also, that he was a salesman for Printing Arts Research Laboratories.

Now, since this was something said in the course of selling an account it certainly was within—he admitted it was in the course of selling the account so it certainly is an admission against interest of Research Printing Arts Research Laboratories. Because he was a salesman the admission made would be an admission of what he said right in the course of doing his business. I can't see how it could be anything but an admission against interest of Printing Arts Research Laboratories.

Mr. Lyon: My understanding of the statement

(Testimony of Frank P. Adams.)

at issue is that the statement made to Mr. Adams when Mr. Frey was Printing Arts Research Laboratories salesman, the statement itself made to Mr. Adams that is supposed to be an admission [42] against interest chargeable to Printing Arts Research, my point is that statement to Mr. Adams certainly wasn't in the scope of Mr. Frey's employment. He was not trying to sell Mr. Adams anything. Kemart and Printing Arts Research are serious competitors. If the statement had been made in the course of selling discussions with a potential customer of one or the other whom Frey was trying to sell Printing Arts Research material I would agree it would be a statement against interest and chargeable to the defendant corporation. But this was idle gossip with Mr. Adams. Frey wasn't trying to sell him anything. He wasn't doing a thing for Printing Arts Research during any such conversation. The conversation was entirely extracurricular.

The Court: The objection will be overruled. The answer may stand.

Did he tell you as of when this incident occurred? Did Frey say when this incident happened down in Florida?

The Witness: No, your Honor.

The Court: You don't know whether it happened in 1952 or——

The Witness: I honestly don't know the date.

Mr. Hoppe: Your Honor, to me, in argument, the effect I want to make about it is that it is at

(Testimony of Frank P. Adams.)

least indicative of malice on the part of the Printing Arts toward Kemart Corporation even after the infringement issue was settled. I don't [43] intend to go into damages after the infringement issue was settled.

The Court: Does it help us any on that? Because, for all we know, what Frey was telling Mr. Adams may have happened in 1951.

Mr. Hoppe: It would show malice as of that date, your Honor, using the charge of infringement to get business away from us. Regardless of when it was made it would be evidence showing malice, if malice is important in this case. At least I will so argue.

The Court: I have your position.

Q. (By Mr. Hoppe): Mr. Adams, in addition to the defense of the lawsuit and your blue light matter and this mimeographed sheet, I believe that the—and you correct me in this, Mr. Lyon—record shows that in December of 1948 you published a story in the Photoengravers Journal, or Bulletin, is that correct?

A. Yes. It was an advertisement. But I did send to the editor of that magazine a copy of the communication I had sent to my licensees. I think that is the one that happened that day. And I asked him if he would publish it.

Q. Do you know of any statements which are untrue in that publication?

A. No, certainly not.

The Court: Is that in evidence here? [44]

(Testimony of Frank P. Adams.)

Mr. Hoppe: I think that is in evidence. They referred to it in the appeal. I believe that is in evidence.

Mr. Lyons: Yes, I believe it is, your Honor.

The Court: Do you have an extra copy of the volume of the record on appeal which contains the pleadings in this matter?

Mr. Lyon: I can certainly hand you mine, your Honor.

The Court: Well, I don't wish to take yours. I will use whatever the clerk has.

Mr. Lyon: I don't have them.

Mr. Hoppe: I just have this work copy, your Honor. It is all dog-eared.

The Court: Never mind. I will just use the clerk's. I thought if you had an extra copy of the pleadings it might be convenient.

Mr. Lyon: Do you have a book of the exhibits in that appeal?

The Court: No, I don't believe so. Was there a printed list of exhibits?

Mr. Lyon: Yes, sir. The exhibit to which counsel refers, that is, the publication by Photoengravers induced by Mr. Adams is Defendant's Exhibit NN to the original trial, and that is in the record at 108 to 110.

Mr. Hoppe: May it please the Court, I object to the characterization that it was induced by Mr. Adams. [45] Mr. Adams' publication took place in December 1948. The Printing Arts Research publication took place in May 1949. This wasn't

(Testimony of Frank P. Adams.)

a spontaneous thing that came along. This was a well-thought-out republication——

The Court: Well, we will reserve the argument. Let's get the evidence in first, gentlemen.

Mr. Hoppe: Now, Mr. Clerk, would you please give Mr. Adams Plaintiff's Exhibit 74 for identification?

(Whereupon the document was placed before the witness.)

The Court: Proceed.

Q. (By Mr. Hoppe): Would you state what Plaintiff's Exhibit 74 for identification is, Mr. Adams?

A. There are two pages. The first is the title page of the Photoengravers Bulletin. And then the second one is a photostat of an ad that appeared there run by Printing Arts Research Laboratories.

Q. Did you see the original of that?

A. Yes, I did, when it was printed, sir. June 1950 is the date of the bulletin.

Q. Did that appear in other publications, if you know?

A. Yes. I think that appeared almost concurrently in the National Lithographer, which is the equivalent trade journal for the lithographers that this is to the photoengravers.

Mr. Lyon: May I ask a question? I want to [46] ascertain from counsel if he is discussing the advertisement in the news release that was Plaintiff's Exhibit 34 in the original case, May 1949.

(Testimony of Frank P. Adams.)

The Witness: It is marked 74. June 1950, Mr. Lyon.

Mr. Lyon: This is a new exhibit that hasn't been before the court?

Mr. Hoppe: That is correct. This plaintiff's exhibit just identified is a publication which——

The Court: Has Mr. Lyon seen it?

Mr. Hoppe: Yes, you saw that earlier when we marked it, Mr. Lyon.

Mr. Lyon: I am sorry. I can't keep in my mind the number of these exhibits just from a short glance at them.

Mr. Hoppe: I now hand to the witness Plaintiff's Exhibit 75, which is a letter dated September 8, 1950, from the Bee Engraving Company to Mr. Adams.

(Whereupon the document was placed before the witness.)

Mr. Lyon: Is that being offered?

Mr. Hoppe: It is just being handed to the witness.

Mr. Lyon: It has not been offered?

Mr. Hoppe: It hasn't been identified, sir.

Q. Will you please identify that document which was just handed to you, Mr. Adams?

A. This is a letter addressed to me dated September 8, 1950, from Ralph A. Van Camp, manager, Bee Engraving Company, [47] Sacramento, California, and marked Exhibit 75.

Q. Can you explain to us the matter concerning which that letter refers?

(Testimony of Frank P. Adams.)

A. Well, it refers to our attempts to sell them a Kemart license and their declination to go ahead and use our equipment or our processes until the finality of the suit that we have here.

Q. And what materialized after that letter was received by Kemart Corporation?

A. Well, they just wouldn't go ahead for a while. We continued to persuade them something ought to be done about it; and I finally, in talking to their attorney, agreed to a rather unusual plan in that they would put into a savings account the amount that would be our normal royalty and if we won the case then we'd get the money and if the other side won, why, he would keep it. And I pointed out to them that as long as our price of \$50 a month was higher than what he would have to pay for Fluorographic, that as long as he decided at a later date who got the money he couldn't possibly lose out of it. And that seemed to convince him. And I guess it was six or seven months later we finally went ahead on that basis.

Mr. Hoppe: Would you please hand Plaintiff's Exhibit 76 to Mr. Adams?

(Whereupon the document was placed before the witness.)

Q. (By Mr. Hoppe): What is Plaintiff's [48] Exhibit 76 for identification, Mr. Adams?

A. This is a summary by months and years beginning with June 1947 and going up to July 1956 of the sale of Kemart licenses and cancellations,

(Testimony of Frank P. Adams.)

and sort of a history of what was done in reference to it.

Do you want me to identify it by columns?

Q. Yes, if you would.

A. This is gathered up by studying the files of Kemart, which I have done and supervised, and from that we know the date of a license and then we can divide them into licenses that stayed and licenses that cancelled. And the first column is headed "Current Licenses Granted." And by that we mean that these are licenses granted which we still have.

The next column is "Cancelled Licenses Granted." And by that I mean that those are licenses we sold and they later cancelled.

And then the next is "Total Licenses Granted," which would be a total of these first two columns.

And then the fourth column is "Licenses Cancelled." And the fifth column is "Total Licenses in Force." And the sixth column is "Percentage of Cancellations."

And then there are a series of figures. For example, in December of 1947 we sold one which didn't cancel, and that left us six. And in that month we sold one that did cancel and that left us 10 that had cancelled. And that would be a [49] total of two sold and 16 cancelled.

Q. Now, then what is the fourth column, "Licenses Cancelled"?

A. "Licenses Cancelled." And there are two figures in that column. All of these, excepting the

(Testimony of Frank P. Adams.)

sixth one, have two columns within each major column, your Honor.

Q. Now, in the "Cancelled Licenses Granted," like on June 1, 1947, you have one current license granted——

A. Yes.

Q. ——one cancelled license granted, and in "Total Licenses Granted" you have two. And what is the second 2?

A. Well, the second 2 would be an accumulation.

Q. That is a running total?

A. Running total, yes.

Q. What is the "Total Licenses in Force" column?

A. That would be what we had left after the cancellations.

Q. When was your first license cancellation?

A. That would be June of 1947. No, that would be August. Yes, August. That would be August of 1947. That would be in the fourth column of "Licenses Cancelled."

Q. And all of your licenses cancelled, then, are in Column 4, as I understand it.

A. Yes. One cancelled in August of 1947 and the next was cancelled in June of 1948. [50]

Q. Then all you have to do is read down the volume and you get the picture of your business as of that time?

A. In Column 4 we get a picture of cancellations.

Q. And then the recap on the last page——

(Testimony of Frank P. Adams.)

Mr. Hoppe: And this isn't testimony, your Honor. This is just to recap it.

Q. —shows that during the lifetime of Kemart up to July you issued 291 licenses, and 108 are still in effect and 183 have cancelled. Is that correct?

A. That's right. That is what these figures show.

Mr. Hoppe: We offer in evidence Plaintiff's Exhibits 60 to 78—I beg your pardon—60 to 76, both inclusive.

The Court: Well, most of those have been received, all except Exhibits 60 and 74, 75 and 76. Is that correct, Mr. Clerk?

The Clerk: I have 61, 62, 64, 65, 66, 67, 68, 69, 70, 71, 72, and 73.

The Court: Is there a 63?

The Clerk: For identification.

The Court: Is it in evidence?

The Clerk: No, your Honor.

Mr. Hoppe: We offer Plaintiff's Exhibit 63 in evidence.

The Court: Is there an objection?

Mr. Lyon: My understanding, sir, was that Exhibits 60 through 73 were admitted, over objection. [51]

The Court: It did not include 60 and 63, Mr. Lyon, apparently.

Mr. Lyon: I guess not.

The Court: Do you make the same objection to these?

Mr. Lyon: I don't object to 74, no.

(Testimony of Frank P. Adams.)

The Court: Received in evidence.

(The document referred to was marked Plaintiff's Exhibit No. 74 and received in evidence.)

[See page 282.]

Mr. Hoppe: And 75?

Mr. Lyon: Just a minute.

The Court: The letter to the Bee Engraving Company.

Mr. Lyon: Yes, I make the same objection to 75 on the ground that we have no way of knowing whether any of the defendant's men ever approached that customer. And that letter is unauthenticated hearsay. And I object to Exhibit 76 on the ground that this is an *improper* to go into the details as to a compilation of what Mr. Adams might believe his damages amounted to.

The Court: The objection to Exhibit No. 76 for identification is sustained at this time. The testimony of the witness as to what it shows seems to me to be sufficient for the present purposes.

Mr. Hoppe: All right.

The Court: The objections to Exhibits 60 and 63 and 74 are overruled and those exhibits are now received in evidence. [52]

(The documents referred to were marked Plaintiff's Exhibits Nos. 60, 63 and 74 and received in evidence.)

[See Exhibit 60, page 265; Exhibit 63, page 270; Exhibit 74, page 282.]

Mr. Hoppe: You may cross examine, counsel.

(Testimony of Frank P. Adams.)

Mr. Lyon: Your Honor, it is now 5:00 o'clock.

The Court: Yes. I would like to take an adjournment at this time.

Is that matter on for 9:30 tomorrow morning, Mr. Clerk?

The Clerk: 10:00 o'clock.

The Court: There is a pretrial hearing scheduled for tomorrow morning in a condemnation case, gentlemen. I don't know how long it will last.

Mr. Hoppe: We will be here anyway, your Honor, and await your pleasure.

The Court: Well, if you would like to come at 10:00 it might not last over 15 or 20 minutes. I don't know the situation. There are some out-of-town counsel involved in it.

Mr. Lyon: I have no particular desire to come at 10:00 unless it is for the court's convenience and Mr. Hoppe's.

The Court: I would like to go ahead with it as soon as we can.

Mr. Lyon: Whatever you prefer, sir, and Mr. Hoppe.

Mr. Hoppe: 10:00 o'clock will be fine for us, your Honor.

The Court: This hearing might run on for an hour. I don't know. Perhaps you gentlemen could accomplish something while you are waiting. [53]

Mr. Hoppe: Maybe we can.

The Court: Perhaps you can agree to some exhibits and shorten it somewhat.

Mr. Lyon: May I ask if we are going ahead and conclude this matter tomorrow?

Mr. Hoppe: It will only take me another hour.

The Court: How long will it take you, Mr. Lyon?

Mr. Lyon: I don't know yet, but I don't think it is going to take me very long.

The Court: Perhaps we might take a recess until 11:00 o'clock tomorrow morning, if you think you could finish by noon.

Mr. Lyon: I may have some rebuttal.

The Court: Suppose you come at 10:30. You may have other matters you want to take care of. We will try to finish with the evidence by noon.

Mr. Hoppe: Thank you, your Honor.

Mr. Lyon: Thank you, your Honor.

(Whereupon a recess was taken until 10:30 o'clock a.m. of the following day, July 24, 1956.) [54]

July 24, 1956; 11:10 O'Clock A.M.

The Court: In the Kemart case, gentlemen, are you ready to proceed?

Mr. Hoppe: Ready, your Honor, for the plaintiff.

We asked the marshal to lock some exhibits up in the little locked room here, and I would like to get some of them out.

Mr. Lyon: May I have Mr. Marx sit at the counsel table?

The Court: Yes.

Gentlemen, again I should outline my calendar

situation. It's rather awkward. You can have the rest of this morning, and then we can begin at 1:30, if you like, and go to 2:30. Then, if you don't finish taking the evidence, we will have to continue it to Thursday.

Is there a possibility of the case going on trial tomorrow morning, Mr. Clerk?

The Clerk: Yes, I think so, your Honor.

The Court: There is an estimated one-day case that goes on trial tomorrow morning. Of course, there is a possibility that something might happen to it.

Mr. Hoppe: I would just as soon stay over to get this matter cleared up. But I think we may be able to finish this afternoon and have argument on Thursday.

The Court: I thought, if there was a possibility [57] that you might make haste, we could at least excuse the witnesses so that they can go home.

Mr. Hoppe: We will certainly try, your Honor.

Mr. Lyon: Your Honor, the name of Frey, one of Printing Arts' salesmen, was brought into the case yesterday afternoon, and we reached Mr. Frey last night. He was in the East. Of course, he can't be here today, but we think we can have him here by Thursday.

If you will recall, Mr. Frey was the gentleman who was represented to say certain things.

The Court: Very well. If there is no objection, then, we will just proceed and see if we can dispose of at least some of the witnesses.

Mr. Hoppe: I think we can get quite a bit of ground behind us just today.

Mr. Adams, would you please resume the stand.

FRANK P. ADAMS

called as a witness on behalf of the plaintiff, having been previously duly sworn, resumed the stand and testified further as follows:

Mr. Hoppe: May it please the court, yesterday at the close of the hearing I had released Mr. Adams from direct examination, and upon review last night I found that there were just four short matters that I had overlooked, and I would like [58] to go into them at this time.

The Court: You may.

Direct Examination—(Continued)

Q. (By Mr. Hoppe): Mr. Adams, going over your testimony last night, do you recollect that you mentioned the date of the publication of Mr. Flader's book in your testimony yesterday?

A. I do.

Q. Do you wish to correct that testimony?

A. Yes. That book was published in '48, and it was published prior to the time that I was at the Photoengravers Convention in October 1948.

Q. And your testimony yesterday was that it was published after?

A. I was mistaken in that. I looked at the book, and it was earlier.

Q. Now, in reviewing your testimony given at the earlier hearing several years ago, Mr. Adams,

(Testimony of Frank P. Adams.)

do you recall your testimony to the effect that your reversal in sales curve took place immediately after the March 1949 publication?

A. Yes. I checked up on that further. The reversal occurred in mid-1950 and not in '49. It was diminished, I think, relative to what it would have been in '49. But the actual turndown in net results didn't occur until the middle of 1950. [59]

Q. Now, one other matter, Mr. Adams, and that is with respect to the publications that have been received in evidence, which are the May 1949 publication of Printing Arts Research and the June 1950 publication of Printing Arts Research. Have you seen re-publications of those items?

A. Yes. There is one that occurs to me, and it was the—a memorandum or advisory opinion commented on in the ANPA Research Bulletin. That's the American Newspaper Publishers Association. They put out a periodic bulletin, and it was sent only to members. And that matter came up in reference to the Sacramento Bee.

Q. Do you have that publication, Mr. Adams?

A. I don't have it. Not being a member, I couldn't get it. I borrowed it in, oh, it was the late summer of 1950, I recall, because I heard about it in a phone conversation with the counsel for the Sacramento Bee. And with his permission, he mailed it to me, and I read it and returned it to him.

I tried this morning to find copies with the Los Angeles Times and the Los Angeles Examiner, and

(Testimony of Frank P. Adams.)

they informed me that didn't have any. I couldn't find the old copy.

Q. Can you state the nature of the publication that you saw and read, as you testified?

A. Yes. It was a quotation—— [60]

Mr. Lyon: Your Honor——

A. (Continuing): ——in the ANPA Research Bulletin.

Mr. Hoppe: Just a minute, Mr. Adams.

The Witness: I am sorry.

Mr. Lyon: I would like to interpose an objection. I think if the question is directed toward the contents of the publication, I think the publication itself is the best evidence of what it says. I don't think there has been sufficient showing that the original or at least a secondary copy of it is unavailable.

Mr. Hoppe: Your Honor, we tried to find a copy of the publication locally. It's a type of thing that people don't keep. It's just a periodical publication, apparently. And I had Mr. Adams this morning phone the likely sources in town here to see if it was available here.

The Court: Wouldn't it probably be in the library?

Mr. Hoppe: Well, your Honor, we are going to try some more to find it before Thursday, but with leave to prove the contents by secondary evidence, I would like to do so, and if we can find the original I would like to put the original in. I per-

(Testimony of Frank P. Adams.)

sonally will search for the original because I believe it rather pertinent.

Mr. Lyon: Your Honor, the witness testified he got an original from the Sacramento Bee. I don't know why he can't go back and get what he originally saw. He may not be able [61] to get it, I understand that, but——

The Court: I will receive the secondary evidence, subject to a motion to strike.

Q. (By Mr. Hoppe): Would you please state the contents of the publication, Mr. Adams, as you recollect it?

A. Yes. The publication is mailed only to members of ANPA, and the Bee is a member.

Q. Would you state the contents of the publication?

A. There was a reference to an article in the Photoengravers Bulletin concerning the statement that Printing Arts Research had made about the litigation, and it advised member newspapers that anybody taking the Kemart license would be subject to suit by Printing Arts Research Laboratories.

Mr. Hoppe: That is all.

You may cross examine, Mr. Lyon.

Cross Examination

Q. (By Mr. Lyon): Mr. Adams, Mr. Flader's book—what was that?

A. It's a book entitled "Modern Photoengraving," and it's about an inch thick and about a letter-size page. And he and Joe Mertle published it.

(Testimony of Frank P. Adams.)

Mr. Hoppe: I have just handed counsel a copy of the book in question. [62]

Mr. Lyon: May I confer with counsel, your Honor?

The Court: Yes.

(Whereupon a discussion was had between counsel.)

Q. (By Mr. Lyon): Now, Mr. Adams, you have previously testified that Messrs. Schmidt, Flader, and Mertle had told you about seeing a copy of the letter from Mr. McCaleb to you at the Cleveland convention, is that correct? A. Yes.

Q. And you yourself personally talked to these men? A. Yes.

Q. Now, which one did you see first?

A. I don't remember that. They were there. I saw each of them several times during the three days of the convention. This letter from Mr. McCaleb was shown to me shortly before lunch on the first day, and I had lunch right afterwards with Joe Mertle, but not with the other two. So that would mean I heard from him first. I don't know.

Q. Did you see Mr. Mertle more than once at the convention?

A. Yes, several times each day.

Q. Do you know at which one of those meetings that he stated this matter to you?

A. No; except it wouldn't be the first one, because I remember I told him what had happened then.

(Testimony of Frank P. Adams.)

Q. You told Mr. Mertle about it? [63]

A. At lunch, which was within an hour after I had seen the letter.

Q. But before Mr. Mertle stated that he'd seen it? A. That's right.

Q. And later he told you that he had seen it?

A. Yes. He told me that Mr. Marx had shown it to him.

Q. But that was at some later meeting?

A. Yes.

Q. I see. Now, with reference to Mr. Schmidt, do you recall how often you saw Mr. Schmidt at the meeting?

A. No. He was there. I mean, there were five or six hundred people. I would see him off and on.

Q. Do you recall, to your best recollection, if you saw him reasonably shortly after Mr. Marx had delivered the letter, Exhibit 29, to you?

A. That was a long while ago, and I honestly don't remember. I do remember that he told me he had seen the letter, and Mr. Marx had shown it to him. And he sought me out to tell me that.

Q. Do you recall whether or not the meeting with Mr. Schmidt, at which he told you he had seen the letter, was the first meeting you had with him since you saw the letter?

A. I don't recall.

Q. You don't recall? It may have been after you'd seen him before? [64]

A. I don't think I understand.

Q. At the time at which he told you he'd seen

(Testimony of Frank P. Adams.)

the letter, it might have been subsequent to a time at which you had seen him following your seeing the letter? A. Oh, yes.

Q. I see. Do you recall whether or not at any meeting with Mr. Schmidt before the meeting at which he told you he saw the letter, you mentioned the letter? A. I know I didn't to him.

Q. You know you didn't?

A. Yes. I feel quite sure of that.

Q. You don't recall, though, how many meetings you had with him, or whether you had meetings with him before he mentioned seeing the letter?

A. Well, "meetings with him" is sort of a broad term, because at the convention like that I might see him at the bar and have a drink.

Q. I think we all understand that.

A. It's at a convention, and you know how they are.

Q. Well, I think we all understand what I mean by "meetings." What I am trying to explore is the ability you have to remember exactly what transpired between you and Mr. Schmidt with respect to this letter.

Now, you told me, I think, that you don't remember if you saw Schmidt before the time you saw him when he mentioned the letter. [65] Is that right?

A. I am pretty sure that I at least waved to him or had a casual talk with him. The thing that sticks in my mind importantly is that he came to

(Testimony of Frank P. Adams.)

me and told me he had seen that letter. And that is something that is indelibly ingrained, because that was quite a shock. But the other occasions before would be so casual that that is why I wouldn't think of them. He may have come by as I was setting up the booth the night before and said "Hello."

Q. You don't remember what he said and what you said?

A. I remember what he said on that subject because it was such a shock to me.

Q. No. I mean at any earlier meetings that might have transpired between the time you saw the letter and the time he told you he'd seen the letter. You don't remember what transpired in any of those meetings that might have occurred?

A. I may not have even seen him between those times.

Q. Now, with respect to Mr. Flader, you recall talking to Mr. Flader after receiving the letter but before he'd told you he'd seen it?

A. No, I don't recall him before then.

Q. Is your present memory clear on whether you saw him or not?

A. I remember seeing him, and I remember him [66] telling me he'd seen the letter from Mr. Marx and asking me what I thought about it.

Q. I understand. But is your memory clear as to whether you saw him or didn't see him or talk to him or didn't talk to him before the time at which he told you he had seen the letter?

(Testimony of Frank P. Adams.)

A. I think I didn't. He is a very busy man. Unless there was some specific reason.

Q. I am just asking you whether you remember or not. I am not asking for your guess or your deductions as to——

A. I can't be certain, Mr. Lyon. I might have casually.

Q. You don't know?

A. I am certain there was nothing important discussed until something like that.

Q. All right. But you don't recall any discussions, or whether or not you had any of those previous discussions with him?

A. I don't recall any.

Q. And you don't recall whether or not you at some such previous discussion have mentioned the letter yourself, as you did in the case of Mr. Mertle?

A. I am sure I didn't with Mr. Flader. I wouldn't have wanted to tell anybody about that letter.

Q. I thought you told Mr. Mertle. [67]

A. I did. He was the one person I did tell, of the three. That is because I saw him about an hour afterwards at lunch.

Q. But the fact is, you just don't remember what you said to the other people or whether you met them or not, isn't that true?

A. I wouldn't say that is true at all. I feel quite to the contrary. I do remember, and I have so testified.

(Testimony of Frank P. Adams.)

Q. I don't think you gave me a chance to finish.

A. Oh, I'm sorry.

Q. I thought you testified that you don't presently recollect whether or not you saw Mr. Schmidt between the time of your seeing the letter and the time of his telling you that he had seen it.

A. I do not recall seeing him then. My recollection is that the first talk with him that is in my mind is when he asked me about this letter and told me he had seen it.

Q. Now, let's get back to my question. I am asking you if you recall whether or not you saw him in this interim period? A. No.

Q. And the same goes for Mr. Flader, isn't that right? This is your present recollection?

A. My present recollection—that's eight years, yes, almost eight years ago—is that I didn't have [68] any talks with Mr. Flader until that subject.

Q. Can you say from your present recollection positively that you did not see him until that time?

A. After eight years I can't say that positively, no.

Mr. Lyon: That is all I want to know about it.

Q. Does Mr. Flader have any connection with the Photoengravers Bulletin, Mr. Adams?

A. Presently?

Q. Well, excuse me. At the time of the convention at Cleveland?

A. Yes. I believe he was the editor of it.

Q. He was the editor of it? A. Yes.

(Testimony of Frank P. Adams.)

Q. Now, did you see Mr. Frey at the Cleveland convention?

A. I think not. I think just Mr. Marx and Mr. Pensinger were in the Fluorographic booth. If Mr. Frey was there, I didn't know him at that time.

Q. When did you first become acquainted with Mr. Frey?

A. Well, it would be at the first convention where I met him. That's the time I see him each year. I think I remember him very clearly at the Atlantic City convention in 1950. And he was at the San Francisco convention. I think that was 1949. I remember him there. But I don't remember seeing him at the Cleveland convention in 1948.

Q. What convention was it that you have testified to having talked with Mr. Frey about something occurring in Miami?

A. That was the Boston convention in 1954. These are all in October of each year.

Q. Who from Printing Arts Research was there?

A. At the Boston convention?

Q. Yes.

A. Mr. Frey and Mr. Marx, that I recall.

Q. Was Mr. Marx with Mr. Frey when you talked with Mr. Frey?

A. No.

Q. Where were you?

A. Oh, in the lobby of the hotel; not in his booth or in my booth.

Q. Was anybody present?

A. No.

Q. Just you and Mr. Frey?

A. Yes.

Q. How long did the conversation take?

(Testimony of Frank P. Adams.)

A. Ten minutes—if that. A few minutes. We just met in the hall and stopped and conversed and passed on.

Q. Now, who said “Hello” to whom first? What I am driving at is, who approached whom?

A. I can’t think of that eight years ago. [70] Whenever I see him at a convention, we always say “Hello.” Sometimes we stop to talk and sometimes we just wave.

Q. What were the subjects of conversation at this time?

A. Well, we always ask—at that time we asked, “How is your work doing?” or “How are your sales going?”—things of that sort.

Q. Anything else?

A. Well, you mean at a typical convention?

Q. No. I am talking about this specific meeting to which you testified yesterday.

A. No. I think that was about it. I asked him how things were going with him, and then he told me the things I quoted the other day, about that he got this Miami deal.

Q. You don’t remember if he approached you or you approached him?

A. We met in the hall, Mr. Lyon, and it would be a kind of a meeting—we were both busy in our own booths—it would be the time that we’d get out of the elevator nearby or something like that. I don’t think it can be defined on a basis as who approached who.

(Testimony of Frank P. Adams.)

Q. Do you recall how the subject of that Miami thing came up?

A. Yes. He volunteered it. He mentioned it.

Q. Were you kidding each other, as competitors [71] sometimes will? Is that how it came up? Or did he just deliver it cold?

A. He just told me about it, is my recollection. It certainly was not funny to me.

Q. Well, what confuses me about the thing is, why would he do such a thing? And that is why I am asking you how the subject came up. How was it introduced? I see no point to it.

A. Well, it was a taunt, as I interpreted it.

Q. He was kidding you then, or taunting you?

A. Well, if "kidding" can be said without jest. I didn't see the jest to it. It was a taunt. That is the better word.

Q. Now, what exactly did he say, Mr. Adams?

A. Well, that's some time ago. He stated that he got to this Miami engraving firm just in time; that they had the contracts to send in to Kemart, but he'd stopped that.

Q. Was that exactly what he said?

A. That is the best of my recollection. It isn't those exact words, but approximately that. That would be the essence of it.

Q. That he'd stopped that? A. Yes.

Q. And that's all he said to you?

A. That isn't all he said. [72]

Q. What else did he say?

A. He said he told them, if they went ahead

(Testimony of Frank P. Adams.)

and practiced the Kemart process, they would be sued by Printing Arts Research.

Q. Do you recall specifically that he stated that?

A. Yes.

Q. What else did he say?

A. That was about it.

Q. What did you say?

A. I told him that I thought that was hardly in order and that these things should be sold without reference to such comments.

Q. That is all you said?

A. That is my best recollection.

Mr. Lyon: Now, I'd like to refer you to Exhibit NN, you Honor. It's on page 108 of the transcript of record in the appeal, No. 14299. Do you have it before you, sir?

The Court: No, I do not. Do you wish to read it?

Mr. Lyon: May I read it to the witness, a part of it?

The Court: It's in evidence, is it?

Mr. Lyon: Yes, sir. It's Exhibit NN, and it's the——

The Court: That's the publication, is it not?

Mr. Lyon: Yes, sir. It's the publication by Kemart, the plaintiff, that immediately followed their suing Printing Arts Research. It also is a copy, in part, of the letter, [73] Exhibit 60, which went in yesterday——

The Court: Yes.

Mr. Lyon: ——that letter being the letter that Kemart sent to its various licensees.

(Testimony of Frank P. Adams.)

The Court: Very well. You may quote from it.

Mr. Lyon: The next to the last paragraph of the letter states: "We have proceeded in this manner to protect you from all liability by reason of your use of the processes licensed under the Kemart patents. May we ask that whatever comes to your attention, directly or indirectly, that may in any way affect this matter, or any communications or notices you may receive from Printing Arts Research Laboratories, Inc., be forwarded to us promptly."

Q. Were any such communications or notices from Printing Arts Research Laboratories ever forwarded to you by any of these licensees to whom you sent Exhibit 60, Mr. Adams?

A. I don't recall any.

Mr. Lyon: That is all.

The Court: Any redirect examination?

Mr. Hoppe: No redirect examination, your Honor.

The Court: You may step down.

(Witness excused.)

The Court: It's four minutes to 12:00. Do you prefer to recess at this time and return at 1:30?

Mr. Hoppe: 1:30, your Honor? [74]

The Court: Or if you have a short witness—

Mr. Hoppe: We will be back at 1:30.

The Court: Very well. We will recess until 1:30.

(Whereupon a recess was taken until 1:30 p.m. of the same day.) [75]

July 24, 1956; 1:30 O'Clock P.M.

Mr. Hoppe: I would like to read three admissions against interest from an affidavit of Mr. Marx in evidence here, your Honor. I am reading statements from an affidavit of Walter S. Marx, Jr., subscribed to and sworn to on January 29, 1949, and filed in this case on January 31, 1949.

The first paragraph I read in evidence is the following:

"At the National Convention of the American Photoengravers' Association, held in Cleveland in October of 1948, I exhibited said letter of October 6, 1948, to Mr. Frank P. Adams and Mr. J. Mertle, respectively President and Technical Adviser of plaintiff corporation, and to Louis Flader, ex-commissioner of the aforementioned Association, and to Mr. H. B. Latimer and Mr. Paul Schmidt, both representatives of the Harold M. Pitman Company which is a distributor of 'Fluorographic' supplies furnished by my company and of 'Kemart' supplies furnished by plaintiff corporation. * * *"

The second paragraph I read in evidence appears on page 4 of the same affidavit:

"Shortly after the aforementioned Convention, I instructed patent counsel for the defendant corporation to obtain proof of infringement and other [76] information prerequisite to the filing of a suit for direct infringement against some one representative user of the 'Kemart' process. * * *"

And the last portion of this affidavit which I read in evidence is an excerpt appearing on page 7:

"* * * This Bulletin"—referring to the Photo-

engravers Bulletin—"goes to practically everyone in the United States interested in the processes to which this litigation relates. * * *"

I would like to call Mr. Youngdahl to the stand, if I may.

Mr. Youngdahl, will you take the stand.

LYLE P. YOUNGDAHL

called as a witness on behalf of the plaintiff, being first duly sworn, was examined and testified as follows:

The Clerk: Will you state your name, please?

The Witness: Lyle P. Youngdahl.

The Clerk: How do you spell your last name?

The Witness: Y-o-u-n-g-d-a-h-l.

Direct Examination

Q. (By Mr. Hoppe): Mr. Youngdahl, what is your business?

A. I am employed by the Kemart Corporation.

Q. When did you become employed by that corporation?

A. Practically at the outset of the formation of the corporation, which I believe was in 1947.

Q. At the time you commenced work for the Kemart Corporation what was your job?

A. My job for the first few years was mainly sales. I was a salesman.

Q. That would be in 1947 and '48?

A. '48, '49, '50, and even into '51.

Q. Now, have you heard of Walter Marx or the Marx patent? A. Yes, I have.

(Testimony of Lyle P. Youngdahl.)

Q. When did you first hear of the Marx patent, and in what connection was it?

A. The first knowledge that I can recall having of the Marx patent was, I believe, in the year 1943 when I was in the Army. My partner, who was associated with me in the business at that time, told me that we had received a letter from a Mr. McCaleb, who I believe was either associated with or represented Mr. Marx.

Q. In what year was that, about, Mr. Youngdahl?

A. I believe it was 1943, as my memory serves me now.

Q. What was the name of the company that you and your partner had at that time?

A. It was probably the Glow Bright Company [78] which we later on changed to the Chemart Company, but spelled differently than it is presently spelled. Mr. Berry and myself had it alone. We spelled it C-h-e-m-a-r-t.

Q. What was that, the name of the company or the name of the process?

A. I believe it was the name of the process. Glow Bright Company was the name of the company.

Q. What business was the Glow Bright Company in?

A. It manufactured luminescent phosphors, principally.

Q. Was the Glow Bright Company engaged in

(Testimony of Lyle P. Youngdahl.)

any work in connection with processes in the photo-engraving art?

A. At the outset, no. That was something we developed in the course of our experiments; principally Mr. Berry. I believe it started—my first recollection of halftones, highlight halftones, was the result of some experiments that he conducted. And I believe that was in the year 1940.

Q. What was the Glow Bright Company doing in the year 1943 that this letter of 1943 related to?

A. We were selling luminescent phosphors, and we were trying to market this process that we had hoped we had perfected.

Q. And that is the process that you called the "Chemart" process, which is spelled C-h-e-m-a-r-t?

A. At that time we spelled it that way, yes.

Q. Did anyone use that process in 1943? [79]

A. We had, as I recall, only one user of it in 1943, and that was the Call-Bulletin in San Francisco.

Q. Did the Call-Bulletin stop using the process, or does it still use it?

A. To my knowledge they are still using it. They were when I was last in San Francisco, which was last week.

Q. And have they used it continuously since that time in 1943?

A. They have continued to keep the contract in effect, and I would assume that they did.

Q. Now, have you heard of the Marx process or the Marx patent or the Fluorographic process

(Testimony of Lyle P. Youngdahl.)

since this 1943 episode? And if so, what was the next time that you heard of it?

A. Yes, obviously I have heard of it many times since 1943. I believe I was cognizant of it at the first Photoengravers convention that I attended, which was in Buffalo. I believe that they had an exhibit there.

Q. What year was that, if you recall?

A. I believe that was 1948. I could be wrong, but I believe it was 1948.

Q. Do you recollect Mr. Adams' testimony and the testimony of Mr. Marx that the Cleveland convention took place in 1948? And, if so, I ask you if that refreshes your recollection as to when the Buffalo convention occurred. [80]

A. I still recall the Buffalo convention in 1948. It was '47 or '48. It could have been one or the other.

Q. Well, at the first time that you saw this booth, or whatever it is, at the Buffalo convention, was the Marx patent situation discussed at that time? A. Not to my knowledge.

Q. What was the first time after that convention in Buffalo that you heard the Marx patent picture discussed, and by whom?

A. I received a letter, or what we choose to call an inter-office memo, while I was a salesman on the road—that was some place in the Middle West area—selling Kemart. And the letter told me that a suit had been filed by Kemart Corporation against the Fluorographic Corporation.

(Testimony of Lyle P. Youngdahl.)

Mr. Lyon: Excuse me. I move to strike that testimony unless the letter is better identified than that.

Mr. Hoppe: You can move to strike the testimony. We won't rely on it anyway, Mr. Lyon.

Q. Did you have any conversations with customers or prospective customers concerning the Marx patent picture?

A. During what period of time?

Q. During the period from 1948, say, until 1951, while you were on the road.

A. Yes, many times.

Q. As well as you can, will you state the [81] places of those conversations and the substance of the conversations and the people who were present?

A. Well, I traveled the area and sold for the Kemart Corporation, principally in the area north of the Mason and Dixon line and the Pacific coast up to and including the Atlantic coast in some areas. My principal work was done on the Pacific coast and in the Middle West. I can recall working very hard in the Milwaukee area to get some sales. The leader in that area in the industry was conceded to be the Krus Company. That's spelled K-r-u-s, if I remember the spelling correctly. I think that is it.

I worked very hard on that, and I thought I was making some headway. And I recall that the Krus Company refused to do business with us because they said they were afraid of possible litigation——

(Testimony of Lyle P. Youngdahl.)

Mr. Lyon: Excuse me. I want to object, your Honor, if we are going to have a recitation of the substance of a conversation, unless the proper foundation is laid, and unless I can make what other objections should be made.

The Court: Lay the foundation.

Mr. Hoppe: Well, your Honor, I submit that the foundation has been laid. I asked him the remarks or conversations that he has had with his customers concerning these charges.

The Court: But he is interposing a parenthetical assertion to the effect that they quit doing [82] business because of so and so.

Mr. Hoppe: No, he said that they said they quit business, as I recall it, your Honor, and that is the same argument we had yesterday, which is to show the effect of these libels on the industry. And the reasons that people——

The Court: Well, proceed, then, if that's his statement. I did not so understand the testimony.

Mr. Hoppe: Oh, I beg your pardon.

Q. I would like to have you limit your answer, Mr. Youngdahl, if you didn't, to what people have told you during the course of these conversations that you are about to narrate.

The Court: Take them up one at a time.

Q. (By Mr. Hoppe): Would you take the first one that you have been discussing, which is the Milwaukee situation with Mr. Krus?

A. Well, the Krus Company told us——

(Testimony of Lyle P. Youngdahl.)

The Court: Who told you, when, and where, Mr. Youngdahl?

Q. (By Mr. Hoppe): When was this, Mr. Youngdahl, if you can remember?

The Court: The company can't talk. Somebody told you. Some man told you.

The Witness: A representative of the Krus Company. And I talked to many of them there.

The Court: What was his name? [83]

The Witness: I don't recall the name, because I talked to possibly everyone there connected with the halftone repro——

The Court: Can you remember a single one of them who told you anything?

The Witness: I don't remember the name of the party who told me. That I do not remember, honestly.

Q. (By Mr. Hoppe): Do you remember the conversation?

A. I remember the conversation distinctly because that is the thing that made the impact on me, because I was a salesman and I was interested in sales. And I couldn't make a sale for the reason——

The Court: Don't volunteer any more. Just wait for Mr. Hoppe's question.

Q. (By Mr. Hoppe): Now, do you remember, other than the Milwaukee instance, do you recall——

Mr. Lyon: I move that the testimony be stricken, no foundation laid.

(Testimony of Lyle P. Youngdahl.)

The Court: Motion denied.

Q. (By Mr. Hoppe): Do you remember any other conversations in which you remember the names of the people involved, say, with other companies where your recollection may be a little better, Mr. Youngdahl?

A. I remember——

Q. Is your answer “Yes”?

A. Yes, I do remember. [84]

Q. Will you narrate one of those, please?

A. I remember the Repritone Company — that might not be the full name of the company, but it was the Repritone Company—in Kansas City, and the gentleman’s name was Nelson with whom I spoke. And I recall that he told me——

Mr. Lyon: Just a moment. I certainly think we are entitled to the time there.

The Court: Ask him the questions, Mr. Hoppe. Don’t leave the witness to——

Mr. Hoppe: Yes, your Honor.

Q. When did this occur, as best you can recall, Mr. Youngdahl? A. About the year 1950.

Q. What part of the year, if you can remember?

A. I would say the middle of the year.

Q. What was the substance of the conversation that Mr. Nelson reported to you?

A. He said they would not do business with us.

Q. Did he assign a reason?

A. Yes, he did.

Q. What was the reason that he assigned?

A. That he would not do business because he

(Testimony of Lyle P. Youngdahl.)

was afraid of possible litigation, being sued by the Fluorographic Company.

Q. Do you recall any other conversations that you had [85] in other parts of the country during 1948, '49, and '50? A. Yes. I had——

Q. When is this one that you are going to tell us about now? About what year? A. 1950.

Q. And in what city was it?

A. Sacramento, California.

Q. What time of the year, if you recall?

A. I don't recall the exact time of the year.

Q. With whom was this conversation, Mr. Youngdahl?

A. The superintendent of the engraving department, Mr. Belgau. B-e-l-g-a-u, I believe, is the proper spelling.

Q. Of what company?

A. The Bee Engraving, Sacramento.

Q. What, if anything, did Mr. Belgau tell you concerning the Marx situation?

A. He said that he was unsuccessful in getting the higher echelon in his company to sign the contract with the Kemart Corporation.

Q. Did he assign a reason for that?

A. He said that they told him they were afraid of possible litigation, and being sued by the Printing Arts Research.

Q. Do you recall any other conversations specifically that you had during the years 1948, '49, and '50? [86]

A. I remember getting a contract signed from

(Testimony of Lyle P. Youngdahl.)

the Columbian Engraving Company in Chicago who later canceled.

Q. Do you recall the year that was in, Mr. Youngdahl?

A. That was in the year of 1949, I believe.

Q. Can you recall any other instances at this time?

A. There were numerous instances, but to enumerate the specific ones, I could not.

Q. Do you know Mr. Frey, who has been identified as a salesman for the Printing Arts Research Laboratories?

A. Yes, I have met Mr. Frey on numerous occasions.

Q. Has Mr. Frey had any conversations with you during the period of time that you have known him?

A. Well, when we meet at conventions we always speak. I have only attended three conventions. I think I met him at two of them.

Q. Where did you meet Mr. Frey, which convention and what year?

A. I attended the convention that was held in San Francisco, and I believe that was 1949. I met him there. I spoke to him several times during the course of the convention.

Q. Did you and Mr. Frey have conversations during the years 1949, '50 or '51 concerning the Marx patent or Marx litigation?

A. Yes. On one or more occasions I know we spoke of [87] that.

(Testimony of Lyle P. Youngdahl.)

Q. Can you place the time of any of them?

A. We spoke about it during the San Francisco convention, I know that. I recall that.

Q. What was the substance of the conversation which you had with Mr. Marx concerning the patent, if you had any, at that time?

A. I didn't have any conversation with Mr. Marx.

Mr. Hoppe: I mean with Mr. Frey.

Mr. Lyon: Your Honor, I think we should know if any other parties were present.

The Court: Why not cover those matters and avoid these objections?

Mr. Hoppe: All right, your Honor. I will do that.

Q. Was anyone present at these conversations besides you and Mr. Frey?

A. I do not recall.

Q. Now, as accurately as you can remember, would you state the substance of that which Mr. Frey told you, any such conversation that you can recall, concerning the Marx patent? And in so doing try to establish the date as closely as you can.

A. Well, at the San Francisco convention I know that litigation was mentioned. And Frey at that time told me that any Kemart licensee was infringing the Fluorographic patents. [88]

Q. Did you have any conversations concerning the financial future of the Kemart Corporation with Mr. Frey?

A. No, not as to the Kemart Corporation. We

(Testimony of Lyle P. Youngdahl.)

spoke of—I classed myself at that time as a salesman, and I think he does, too, or at least intimated that he did. He just asked me what I was going to do when the Kemart Corporation folded up.

Mr. Lyon: I am sorry to interrupt, but the manner of questioning confuses me, your Honor. It is not clear to me where that statement was made. If it was made at the San Francisco convention at the time the other statement was made, I think we should know.

Q. (By Mr. Hoppe): Will you please state as best you can, Mr. Youngdahl, when that conversation occurred?

A. That was at the San Francisco convention.

Q. Now, Mr. Youngdahl, have I asked you within the last day or so to make a search at the public library and to find examples of highlight halftone photography in the year 1936, say before May of 1936?

A. Yes, you did.

Q. And did you make such a search for me?

A. I made such a search at the public library here in Los Angeles.

Q. Did you make any other search?

A. I went down to a second-hand magazine place and [89] looked for some old magazines.

Mr. Hoppe: I hand Plaintiff's Exhibits 79 and 80 and 81 for identification to the witness.

(Whereupon the documents were placed before the witness.)

Q. (By Mr. Hoppe): Are you able to identify

(Testimony of Lyle P. Youngdahl.)

the papers which I have just handed to you, Mr. Youngdahl? A. Yes, I am.

Q. What is the first paper that is in your hand, that is marked Plaintiff's Exhibit 79?

A. That is a sheet out of a magazine, from the issue of March 1936.

Q. And that was Harper's Bazaar, was it not?

A. I believe that was Harper's Bazaar or Delineator, one or the other. I believe that is Harper's Bazaar.

Q. Where did you get that magazine?

A. The second-hand magazine store here in Los Angeles. The address is, I believe, 633 South 8th.

Q. And what is Plaintiff's Exhibit 80 for identification, that you have?

A. That is a sheet from another magazine, torn out of another magazine. And that is the Delineator for January 1934.

Q. Now, what is Plaintiff's Exhibit 81 for identification?

A. Some photostatic reproductions of issues of the [90] Los Angeles Examiner in the year 1936.

Q. Did you look at the originals of which those are photostats? A. I did.

Q. And what are the pictures that appear on the several pages of Plaintiff's Exhibit 81 for identification?

The Court: Is there any issue as to these?

May it be stipulated that these documents are genuine and in all respects what they purport to be?

(Testimony of Lyle P. Youngdahl.)

Mr. Lyon: I will stipulate they are copies, genuine copies of the Los Angeles Examiner as of the time that—whatever the date shows.

The Court: And the various magazines which they show themselves to be?

Mr. Lyon: Yes, sir.

The Court: You offer them in evidence?

Mr. Hoppe: Yes, I offer them in evidence.

The Court: Any objection?

Mr. Lyon: Yes, sir. I think they have utterly no probative value.

The Court: What is the purpose of the offer?

Mr. Hoppe: The purpose of the offer is this, your Honor——

The Court: They are offered to prove what?

Mr. Hoppe: It is offered to prove that when Defendant's [91] Exhibit J was offered in evidence to show the state of the art in 1936 with these very muddy showings, without highlighted negatives, and when Mr. Marx testified——

The Court: It's offered to show the state of the art at the time of the various publications, is that it?

Mr. Hoppe: Yes, your Honor, and also to show that Mr. Marx was not testifying truthfully at pages 132 and 133 and 134 of the printed record.

The Court: The objection is overruled. Received in evidence.

Mr. Lyon: May I be heard just a moment?

The Court: Not in argument, Mr. Lyon. If you wish to state any further objections you may do so.

(Testimony of Lyle P. Youngdahl.)

Mr. Lyon: I would like to object. You say I may state a further objection?

The Court: Yes, but not argue it. State your objection.

Mr. Lyon: Yes. I would like to object on the ground that no foundation has been laid for the admission of these photographs in evidence because it has not been ascertained what method was used to reproduce the pictures.

Mr. Hoppe: No method was also offered to show what method was used for Exhibit J, your Honor. That was offered, as your Honor will recall, to show what was typical of the art at that time.

The Court: Very well. The objection is overruled. [92] The exhibits are received in evidence.

(The documents referred to, marked Plaintiff's Exhibits 79, 80, and 81, were received in evidence.)

Q. (By Mr. Hoppe): Now, Mr. Youngdahl, referring to Plaintiff's Exhibit 81, would you point out on a few pages to the court where there are highlighted negatives?

Mr. Hoppe: If your Honor would like to see them.

The Court: I have been all through that, Mr. Hoppe. I was given a very liberal education in this at the time of the trial. I shan't forget it, I hope.

Q. (By Mr. Hoppe): The originals of Plaintiff's Exhibit 81, did they have dots in the highlight areas? A. No, they did not.

Mr. Hoppe: You may cross examine.

(Testimony of Lyle P. Youngdahl.)

Cross Examination

Q. (By Mr. Lyon): Mr. Youngdahl, from inspection of those exhibits can you tell what method of halftone reproduction was used?

A. No, I could not.

Q. Can you tell whether, for example, the highlights were painted—the dots in the highlights were painted out?

A. I would have no way of knowing.

Q. Or cut out?

A. I would have no way of knowing. [93]

Q. Can you tell how long it took to make the plates from which those prints were made?

A. No, I could not.

Q. In other words, you know nothing about the actual method or how long it took or how much trouble there was in it or how expensive it was to make those pictures in the newspapers and magazines?

A. I do not know by what method it was done.

Mr. Lyon: That is all.

The Court: You may step down.

Mr. Hoppe: No further examination.

(Witness excused.)

Mr. Hoppe: I would like to call Mr. Holsapple to the stand.

The Court: Very well.

Mr. Hoppe: I think this will take about 15 minutes, your Honor.

HARVEY T. HOLSAPPLE

called as a witness on behalf of the plaintiff, being first duly sworn, was examined and testified as follows:

The Clerk: Will you state your name, please?

The Witness: Harvey T. Holsapple.

The Clerk: How do you spell your last name?

The Witness: H-o-l-s-a-p-p-l-e. [94]

Direct Examination

Q. (By Mr. Hoppe): Mr. Holsapple, what is your business? A. At present?

Q. At the present time.

A. Sales manager for the Kemart Corporation.

Q. And, generally speaking, what is the area of business in which the Kemart Corporation is engaged? Is that the photoengraving business?

A. Photoengraving, lithography.

Q. How long prior to the time that you worked for the Kemart Corporation did you become associated with the photoengraving industry?

A. 1924.

Q. With what company were you associated at that time?

A. The Boeing Company at that time.

Q. And what work did you do at that company?

A. Newspaper engraving.

Q. Making halftone plates?

A. Yes, sir.

Q. What was your next job in the photoengraving field, and at what time was that?

(Testimony of Harvey T. Holsapple.)

A. One year later I went with the Buckley Mirrors Company in the color engraving department.

Q. And that's 1925, about? [95]

A. Yes.

Q. And did you do halftone work there?

A. Yes, I did.

Q. How long did you stay with that company?

A. Eighteen years.

Q. Until 1943, that would be?

A. That's right.

Q. And what company did you go to work for at that time?

A. I was still with that company, but a subsidiary company.

Q. What was the name of that company?

A. Charles Norman Company.

Q. What did you do for that company?

A. Made bombsights for the war.

Q. How long did you continue in that activity?

A. I left that plant—we closed it in New Rochelle, New York, in 1946.

Q. And in 1946 what did you start to do?

A. I went with Harold M. Pitman Company.

Q. In what business was the Harold M. Pitman Company? A. Supplier to the graphic arts.

Q. How long did you stay with the Harold M. Pitman Company?

A. Until nineteen—see, I have been out of there for [96] two and a half years.

Q. That would be 1948, about.

Then what did you do, Mr. Holsapple?

(Testimony of Harvey T. Holsapple.)

A. I went into business with Mr. Hay in Minneapolis as an associate partner with him in the supply business.

Q. What supply business was that?

A. That was a supplier to the graphic arts.

Q. How long did you stay with that company?

A. One year.

Q. Until 1949? A. Yes.

Q. What did you do in 1949?

A. I am trying to see if my dates are right.

I went with the Kemart Company in January nineteen fifty—wait a minute—well, a year and a half ago. 1955, wouldn't it be?

Q. What were you doing between 1949 and 1955?

A. I have got my dates wrong, sir.

Q. Well, what period were you with the Harold M. Pitman Company?

A. I was with the Harold M. Pitman Company to two and a half years ago, because I have been living in our home in Minneapolis two and a half years, when I moved back.

Q. Now, you were engaged in the graphic arts business and in the making of halftone negatives, then, in 1936, is [97] that correct?

A. That is right.

Q. Have you an opinion as to the status to which halftone photography had developed at that time? A. I have.

Q. I hand you an exhibit which has been received in evidence at the original trial of this case

(Testimony of Harvey T. Holsapple.)

as Defendant's Exhibit J. I ask you to examine that.

(Whereupon the witness examined the document.)

Q. (By Mr. Hoppe): Would you state that that picture is an example of the prior art in the year 1936, in and before March of 1936?

Mr. Lyon: Well, I object. I don't see the meaning of this. I object to the question as meaningless in the context here.

The Court: There is probably some question as to its weight. Overruled.

You may answer.

The Witness: May I hear the question again, please?

The Court: I suggest you reframe it, Mr. Hoppe.

Q. (By Mr. Hoppe): Would it be true to say, Mr. Holsapple, that that Exhibit J is an example of the prior art which had been attained in the year 1936, particularly before the month of March of 1936? A. I would say it is not. [98]

Q. Would you say that it is a correct statement that that exhibit truly represents the halftone nuisances that confronted newspaper printers in the year 1936? A. No.

Q. In the year 1936 had the art advanced to the stage where it did have satisfactory halftone highlighting negatives? A. Yes.

Mr. Hoppe: You may cross examine.

(Testimony of Harvey T. Holsapple.)

Cross Examination

Q. (By Mr. Lyon): Sir, do you know whether that picture to which you have just referred is highlighted at all? A. Yes, I know.

Q. Is it? A. No.

Q. It would look entirely different, would it not, if it were highlighted? A. It would.

Q. And is there any evidence, in your view, of any attempt to highlight it? A. No.

Mr. Lyon: That is all.

Mr. Hoppe: That is all. You may step down.

The Court: You may step down, Mr. Holsapple.

(Witness excused.)

The Court: Do you have any other witnesses?

Mr. Hoppe: No, we don't. We just have one more exhibit to put in evidence, your Honor.

The Court: Very well.

Mr. Hoppe: We have just stipulated, your Honor, that Plaintiff's Exhibit 59 is a correct photostat of the Graphic Arts Yearbook for the year 1913. And I offer that in evidence.

The Court: 1913?

Mr. Hoppe: 1913, your Honor.

Mr. Lyon: I make the same objection that I made before about these various pictures. They are made by unascertained and unascertainable processes.

The Court: You stipulate to the genuineness of the document?

Mr. Lyon: Oh, yes, sir.

The Court: The objection is overruled. I take it that your objection is that it is immaterial.

Mr. Lyon: That is my real objection.

The Court: Overruled. It may be received in evidence.

(The document referred to, marked Plaintiff's Exhibit 59, was received in evidence.)

Mr. Hoppe: Your Honor, the plaintiff rests on this [100] retrial of the issues on the questions of libel, slander, unfair competition, and the right to attorneys' fees.

The Court: How much do you have to offer, Mr. Lyon?

Mr. Lyon: Well, your Honor, I am not familiar with this type of procedure. I have never been in one before. It's gotten complicated. I don't want to make a motion, but I want to ask your permission if I can make a motion at this time for a judgment on the ground that, in the light of all the past circumstances, the situation hasn't changed one bit from the time you heard full argument in this case and it was briefed and you made your decision that plaintiff was neither entitled to damages nor was entitled to attorneys' fees.

I hope to avoid bringing Mr. Frey out and putting Mr. Marx on the stand and taking up any more of your Honor's time or our time.

The Court: Perhaps you gentlemen can stipulate as to what Mr. Frey will say. Have you tried that?

Mr. Lyon: Well, I know what Mr. Frey will say. But I am sure Mr. Hoppe won't.

May I state what Mr. Frey will testify to?

The Court: Why don't you tell Mr. Hoppe, and perhaps he will agree to stipulate that if he were called he would so testify?

Mr. Lyon: Do you want me to tell him now?

The Court: You can tell him privately.

Mr. Lyon: That is what I meant.

The Court: The motion—and I take it as a motion to dismiss for failure of proof on these issues, and the motion will be denied.

Now, how much evidence do you wish to present, in point of time?

Mr. Lyon: About an hour to two hours' worth.

The Court: Well, would you gentlemen like to come tomorrow morning?

Mr. Lyon: Well, I have to get Mr. Frey from the east coast. That is why I asked leave to make the motion. I didn't make the motion.

The Court: Well, your motion is, I take it——

Mr. Lyon: If I were to make it.

The Court: ——a motion to dismiss for failure of proof. That is your motion?

Mr. Lyon: I am not making the motion.

The Court: Very well.

Mr. Lyon: Now, I have to bring Mr. Frey from the east coast.

Mrs. Marx, on behalf of Mr. Marx, I am told, got ahold of Mr. Frey and told him we needed him out here. We will know, I hope, tonight whether he can get here tomorrow.

And may I request that, if you have open time,

that we [102] dispose of this thing Thursday afternoon?

The Court: Well, I don't like to keep Mr. Hoppe.

Mr. Hoppe: I can go back to San Francisco by air, your Honor. It only takes about 95 minutes to get up there, and another 95 minutes to get back.

The Court: Yes, I know, but I didn't want to put you to that inconvenience. Do you want to spend tomorrow up there?

Mr. Hoppe: I could. Or, if it would be convenient, I will be back here tomorrow.

Mr. Lyon: May I have five minutes with Mr. Hoppe? I will suggest a stipulation.

The Court: If you can, that will dispose of it. The Court will not need to remain on that account.

Mr. Hoppe: We might be able to agree.

Mr. Lyon: My point, your Honor, is that if we can get together on the stipulation on Mr. Frey, then I can put Mr. Marx on any time you want.

The Court: Would you want to take it up tomorrow, do you suppose?

Mr. Hoppe: If we can reach an agreement on Mr. Frey, that would be fine, your Honor.

The Court: Suppose you gentlemen confer.

(Whereupon there was a conference between counsel.)

Mr. Lyon: Your Honor, I offer to stipulate [103] with Mr. Hoppe that, were Mr. Frey to appear before you, he would testify, first, that since the inception of this conflict he has been under strict instructions from Mr. Marx not to discuss the conflict with anyone; second, that he has not discussed

it with any customers or others outside the organization; and third, that he has not discussed the matter in any manner with Mr. Frank Adams.

Mr. Hoppe: We stipulate. But we don't want to be bound by the truth of the assertions.

The Court: No, of course not. But it is stipulated, for the purpose of this trial, that the witness Frey will be deemed to have been called by the defendant and to have been sworn and to have so testified.

Mr. Hoppe: That is correct.

Mr. Lyon: Thank you, your Honor.

The Court: Very well. Then do you wish to take a chance on taking it up tomorrow? Or would you prefer, Mr. Hoppe——

Mr. Hoppe: I would just as soon go ahead tomorrow, your Honor.

The Court: Well, there is a slim chance tomorrow. It's very slim. But if you wish to return to San Francisco and spend the day profitably there and then come back Thursday morning or afternoon, you could do that.

Mr. Hoppe: You do have this other trial [104] on tomorrow, don't you, your Honor?

The Court: Yes. It might be settled. There is just an outside chance. There is always that chance, you know.

Mr. Hoppe: Is it a personal-injury case?

The Court: No. It involves damages for delay in a freight shipment by truck line.

Mr. Hoppe: I think I will take a chance that the

case will be settled, and stay over tonight, and we may be able to get the thing over here tomorrow.

The Court: Suppose you come tomorrow morning at 9:30. We will continue this to the same time, and we will see what the situation is on that case.

The clerk might as well call counsel, if you like, and see if he can ascertain definitely whether it is going ahead tomorrow morning. Would that help you any?

Mr. Hoppe: I would certainly appreciate that accommodation.

The Court: Mr. Clerk, will you call counsel in tomorrow's case and see what the present status of the situation is and if they plan to go to trial tomorrow.

And then the clerk can tell you what he learns. Then, if you wish, you can return to San Francisco and then come back Thursday. Would you want to come back in time to take it up Thursday afternoon at 2:00 o'clock?

Mr. Hoppe: That will be fine, your Honor. [105]

The Court: Will that be agreeable, Mr. Lyon?

Mr. Lyon: However, you'd like, your Honor.

The Court: The order made now is that it will be continued until tomorrow morning at 9:30. But upon the request of either side it will be continued further until Thursday afternoon at 2:00 o'clock.

Mr. Hoppe: Thank you, your Honor.

The Court: You can arrange that with the clerk. He will take care of it.

Mr. Lyon: The counsel for these two parties are going to be called this afternoon?

The Court: As soon as we adjourn, now. So if you will stay and keep in touch with the clerk, he will get in touch with them, and it might well be that they have agreed upon a settlement. And then you can gauge it by that. If they report they are ready to go to trial tomorrow, then the clerk will, if you request it, enter an order continuing the matter further until Thursday afternoon at 2:00 o'clock. Then you won't need to appear tomorrow at all.

Mr. Hoppe: Thank you, your Honor.

(Whereupon, a recess was taken until 2:00 o'clock p.m., Thursday, July 26, 1956). [106]

Thursday, July 26, 1956—2:00 P.M.

The Court: Any *exparte* matters?

(Other court matters.)

The Clerk: Case No. 8909, Kemart Corporation versus Printing Arts Research Laboratories.

Mr. Hoppe: I had rested, your Honor.

Mr. Lyon: Ready for the defendant, your Honor.

The Court: You may proceed then, Mr. Lyon.

Mr. Lyon: The defendant calls Walter Marx to the stand.

WALTER S. MARX

called as a witness on behalf of the defendant, being first duly sworn, was examined and testified as follows:

The Clerk: Will you state your name, please.

The Witness: Walter S. Marx.

Direct Examination

Q. (By Mr. Lyon): Are you the same Walter Marx that is the patentee of the patent that has been litigated in this case, and who has testified previously in this case? A. Yes.

Q. Mr. Marx, let's go back to the time immediately preceding the Cleveland convention, which has been testified [109] as being in October of 1948. You will recall, I believe, a letter from a Mr. McCaleb to Kemart Corporation which charged the Kemart Corporation with infringement of your patent. Is that right? A. That's right.

Mr. Lyon: That is Exhibit 29 in the case.

Q. Now, immediately preceding the communication of that letter to Kemart did you have occasion to consider—either yourself, or in conjunction with Mr. McCaleb, who I believe was your patent attorney—the question of whether or not the process practiced by the Kemart Corporation infringed that patent? A. Yes, we considered that.

Mr. Lyon: I have but one exhibit, your Honor. It hasn't been marked.

The Court: Very well. It will be marked defendant's next in order.

Mr. Lyon: I think that would be RR.

(Testimony of Walter S. Marx.)

The Clerk: You want to go right on marking them?

Mr. Lyon: Yes. This is the only one, Mr. Clerk.

I offer it for identification as Defendant's Exhibit RR.

The Court: It may be so marked.

(The document referred to was marked Defendant's Exhibit RR for identification.)

Q. (By Mr. Lyon): I show you Defendant's Exhibit RR and [110] ask you, have you seen that letter before? A. Yes.

Q. Do you recognize the signature appended thereto? A. Yes.

Q. Whose is it? A. Albert G. McCaleb.

Q. What was the occasion for the letter, Mr. Marx?

A. This was Mr. McCaleb's opinion as to whether or not the Kemart process actually did infringe our patents.

Q. And that was sent to you from Mr. McCaleb?

A. Yes.

Mr. Lyon: May I offer in evidence Defendant's Exhibit RR, your Honor?

Mr. Hoppe: May it please the court, we object to its reception in evidence, generally, because the letter does contain some hearsay. We do not object to it as proof of the fact that that is a letter of opinion which Mr. Marx received. But we do object to it as proof of the contents of the letter.

Mr. Lyon: I offer it for the limited purpose, your Honor, of showing that Mr. McCaleb gave

(Testimony of Walter S. Marx.)

to Printing Arts Research his opinion that the patent was infringed.

The Court: Opinion of counsel?

Mr. Lyon: Yes, sir.

The Court: Is there any objection for that purpose? [111]

Mr. Hoppe: No objection to the limited offer.

The Court: Very well. Received in evidence.

(The exhibit heretofore marked Defendant's Exhibit RR, was received in evidence.)

[See page 287.]

Q. (By Mr. Lyon): Now, did you discuss the matter of this infringement with Mr. McCaleb at any time immediately prior to the Cleveland convention? A. Yes.

Q. Under what circumstances?

A. At Mr. McCaleb's office, as I recall it, on my way to the Cleveland convention.

Q. That was immediately prior to the convention?

A. Yes. I may have discussed it with him at other times, as well.

Q. Were there any others present besides you and Mr. McCaleb?

A. Mr. Pensinger was with me in Mr. McCaleb's office. And if there were other discussions of this letter at other times, I don't recall whether anyone was there or not.

Q. Did Mr. McCaleb at that time discuss with you the matter of this infringement of the Marx patent by Kemart? A. Yes.

(Testimony of Walter S. Marx.)

Q. Did he give you his opinion as to whether such infringement existed? A. Yes, sir. [112]

Q. What was that opinion?

A. Substantially as written here in his letter.

Mr. Hoppe: I move to strike it if it is supposed to be proof of the facts of the communication. But I do not object to it as being received in evidence as proof of the communication, that it was made.

Mr. Lyon: I just offered it to show counsel's opinion again, your Honor.

The Court: Very well. Received in evidence.

Q. (By Mr. Lyon): Are you familiar with the Berry patent which purports to describe the Kemart process which has been litigated in this case?

A. Yes.

Q. Had you seen that Berry patent prior to the Cleveland convention? A. Yes.

Q. Had you studied it? A. Yes.

Q. Did you yourself, having studied that patent which purported to describe the Kemart process, believe that the Kemart process did infringe your patent? A. Yes.

Mr. Hoppe: I move to strike the testimony, your Honor, on the ground that the witness' belief is not in issue here. The issue is whether the statement was true or false and not [113] the witness' belief.

The Court: You mean on the issue of good faith?

Mr. Hoppe: Yes, sir.

(Testimony of Walter S. Marx.)

The Court: It would be relevant to the issue of attorney's fees, wouldn't it?

Mr. Hoppe: Yes, it would, your Honor.

The Court: Very well.

Mr. Hoppe: I'd overlooked that.

Mr. Lyon: I offer it also as relevant to this matter of this alleged libel, your Honor.

The Court: On the issue of unfair competition?

Mr. Lyon: Yes, on the ground, again, of good faith, absence of malice and privilege.

The Court: If the issue of malice is tendered, of course it would be relevant to that issue.

Mr. Hoppe: If they are putting in proof of good faith for whatever it is worth, your Honor, I have no objection; except I would not like to concede that their absence of good faith would bar our cause of action to libel. That is the only reason I was making the objection.

The Court: Or unfair competition.

Mr. Hoppe: Yes, or unfair competition.

The Court: Very well. The objection is overruled. Received in evidence.

Q. (By Mr. Lyon): Now, at the time or times you met with [114] Mr. McCaleb was there any discussion between you and Mr. McCaleb, or Mr. McCaleb and Mr. Pensinger, or you and Mr. Pensinger, in respect to the policy that should be followed by your organization in respect to contact with customers and potential customers for these photoengraving processes relating to any charge of infringement of your patent?

(Testimony of Walter S. Marx.)

A. Yes, there was.

Q. What did that discussion consist of, Mr. Marx?

A. Mr. McCaleb warned us very strongly that we were not to discuss the issues of the case with anyone who was a potential customer of ours. And he made that—made a very strong impression with that warning.

Q. Now, at the convention itself—and referring to Exhibit 29, the letter by Mr. McCaleb to Kemart Corporation—did you hand such a letter to Mr. Frank Adams, who is the president of Kemart?

A. Yes.

Q. You did ? And when did you hand it to him?

A. It was before lunch, I believe, on the first day of the convention.

Q. I see. Now, did you show the letter to anyone else? A. Yes.

Q. Can you remember to whom you showed it?

A. Yes. I showed it to Mr. Louis Flader, Mr. Joe Mertle, Mr. Bill Latimer and Mr. Paul Schmidt of the Pitman [115] Company.

Q. The latter two being of the Pitman Company?

A. Yes. I believe that Latimer was subsidiary to Pitman at the time.

Q. Now, referring first to Mr. Mertle, about when did you meet with Mr. Mertle? Could you recall?

A. It was after lunch on the same day.

(Testimony of Walter S. Marx.)

Q. Was anyone else present when you met Mr. Mertle?

A. Mr. Pensinger was present, and possibly Mr. Frey of our firm; possibly others.

Q. Will you relate the occasion that brought about this meeting?

A. Mr. Mertle asked what the discussion was all about in relation to a patent suit. Mr. McCaleb had cautioned us not to talk to anyone about this who was a potential licensee. We felt we shouldn't even talk to suppliers, but did feel free to show them Mr. McCaleb's letter. And I told Mr. Mertle that I didn't feel I should discuss the case, but he was free to read the letter if he desired. He did read the letter.

Q. Do you recall whether Mr. Mertle mentioned having talked the matter over with Mr. Adams prior to this meeting?

Mr. Hoppe: I object to the leading question.

The Court: Sustained.

Q. (By Mr. Lyon): Will you relate as well as you can [116] recall any statements of Mr. Mertle at the time of this meeting?

A. I don't recall any statements that Mr. Mertle made at that time.

Q. You did testify, however, that Mr. Mertle asked you about this controversy? A. Yes.

Q. Now, let's turn to Mr. Flader. What were the circumstances that led up to your meeting with Mr. Flader?

A. Well, Mr. Flader is not a supplier. He is an

(Testimony of Walter S. Marx.)

official in the Photoengravers' Union. But we felt that—just about the same way, that we shouldn't discuss the case, and that Mr. Flader would have a right to read the letter.

Q. Will you relate Mr. Flader's statements, if any, made at the time of that meeting?

A. I don't recall any statement that he made.

Q. Did you approach Mr. Flader yourself?

A. No.

Q. Did Mr. Flader approach you? A. Yes.

Q. You don't remember what he said there?

A. He said something to the effect that, "I hear there's a battle between you people and Kemart. What's it all about?"

Q. And you showed him the letter? [117]

A. That's right.

Q. Did you discuss the merits of the controversy with him? A. No.

Q. Now, referring to Messrs. Schmidt and Latimer in the meeting—I believe you said, did you—no, I guess you didn't. Did you see Mr. Schmidt separately?

A. I believe I did. Although, they may have been together. I am not sure on that point.

Q. Now, what was the occasion that led to your meeting with Mr. Schmidt?

A. Very much the same thing happened. Mr. Schmidt mentioned that he had heard that there was a battle, a controversy of threatened suits, and asked me what I knew about it. Again, I didn't feel that I should discuss it and showed Mr. McCaleb's

(Testimony of Walter S. Marx.)

letter and asked him to read it, and refrained from any further comments.

Q. Is it your testimony that he approached you?

A. Yes.

Q. How about Mr. Latimer?

A. The same situation with Mr. Latimer.

Q. Now, then, following that Cleveland convention do you recall the occasion of the filing of the instant suit against your company? A. Yes.

Q. And do you recall any newspaper publicity in connection with that filing?

A. Yes. I believe the Kemart Corporation published in the Photoengravers' Bulletin an article, or an ad, that seemed to us to distort the facts of the case.

Q. Did you discuss that ad with any of your associates, including Mr. McCaleb? A. Yes.

Q. Did you receive any advice from Mr. McCaleb as respects the publication?

A. Yes. Mr. McCaleb refused to allow us to reply in kind. By that, I mean he refused to allow us to publish the facts as we saw them at that time.

Q. Did he later permit you to put anything into the Photoengravers' Bulletin?

A. Yes, some time later.

Q. Do you recall when?

A. Six or eight months later, I believe.

Q. Perhaps I can refresh your recollection by referring you to what I have here designated by plaintiff as Appendix A to his opening brief in the

(Testimony of Walter S. Marx.)

last appeal in this case entitled "News Release and Explanation of our——"

That's the wrong one. I believe then it's Exhibit NN.

I was correct in the first instance.

Mr. Hoppe: Here it is. It is Exhibit C. [119]

Mr. Lyon: It is now in evidence as Exhibit C.

The Clerk: This is Plaintiff's Exhibit 34.

Mr. Lyon: Plaintiff's Exhibit 34.

Will you hand that to the witness, please?

(Whereupon the document was handed to the witness.)

Q. (By Mr. Lyon): That appears to be the May, 1949 issue of Photoengravers' Bulletin. Does that refresh your memory as to when you were permitted by Mr. McCaleb to make that release?

A. Yes.

Q. And you did so? A. We did.

Q. Now, at about this same time when the litigation commenced, what did your organization consist of, Mr. Marx?

A. Mr. McCaleb was president. Mr. Pensinger was vice president. Then Mr. Frey, chemists, office help and myself.

Q. Mr. Frey was what? A. Salesman.

Q. He was your only salesman?

A. That's right, yes.

Q. Is he still with you? A. Yes.

Q. Who of the people you have recited were those who had customer contact?

A. I am sorry. I didn't hear you. [120]

(Testimony of Walter S. Marx.)

Q. Who were those of the people you have mentioned, including yourself, who had customer contact?

A. Mr. Frey had the greater part of it. I had a very little; and Mr. Pensinger still less.

Q. Did the three of you discuss, to your recollection, any policy that would be followed by the organization as regards discussing the matter of this lawsuit with outsiders, including particularly customers?

A. Yes. We again kept Mr. McCaleb's warning in mind that this case should never be discussed; that is, the issues should never be discussed; that we might discuss only the status of the case at the time, but nothing more.

Q. Did you discuss whether you would volunteer information or not to outsiders?

A. Yes. We made as strict a rule as we could never to discuss any phase except the actual status of the case.

Q. Now, what were your instructions, if any, to Mr. Frey in that regard?

A. Essentially, just that; that he was never under any circumstances to discuss anything except the status, or the news of what the newspapers might report of the status of the case.

Q. Now, Mr. Frey has been with you since when? A. 1944, '45.

Q. What has been your experience with him as regards [121] his ability to follow orders?

A. He has an excellent ability to follow orders.

(Testimony of Walter S. Marx.)

In addition, he's of the highest personal integrity. He has a lot of regard for the rights of others and understands the kind of an order we gave him in regards to this case.

Q. Do you know of any instance in which Mr. Frey approached any customers and discussed this lawsuit? A. Not at all.

Q. You know of none. Do you know of any instance when anybody else in your organization did that? A. No, none at all.

Q. Mr. Marx, I show you Plaintiff's Exhibits 79, 80 and 81. Do you recognize them?

A. I don't recognize them by number, Mr. Lyon.

Q. Do you recognize what they are or purport to be? A. Yes.

Q. What are they?

A. Exhibit No. 79—I see the number, now—is a reproduction, a fine screen reproduction on slick paper of a drawing.

Q. Now, we have stipulated that that was in existence prior to the date of your patent.

A. All right.

Q. Now, can you tell from looking at that the process by which it was made? [122]

A. No. You can tell, however, that the whites have been removed from highlights in the illustration.

Q. How do you mean that, Mr. Marx?

A. There are no dots in the pure white areas of the reproduction, and those dots were removed

(Testimony of Walter S. Marx.)

by one of several probably very laborious ways, because if this was printed——

Mr. Hoppe: I move to strike the testimony as to how probably it was done. The witness testified he doesn't know. Anything else would be conjecture.

Mr. Lyon: That is satisfactory.

The Court: Sustained.

Q. (By Mr. Lyon): At that time were half-tone illustrations, such as you have before you, made which in your opinion were comparable in quality to the half-tone reproductions made by your patented process?

A. Not comparable. The quality approached the quality of our half-tone process.

Q. Will you explain how that was accomplished?

A. The dots were taken out on the original negative, possibly by painting. An opaque paint was put over the clear little dots on the negative where they were to be made opaque. This was a long, laborious proposition where a complicated design was to be reproduced.

The dots could have been taken out by masking the original with a mask that's made by hand so that the highlights [123] of the illustration have an opportunity to be overexposed during the photography. Since that mask is made by hand that operation is expensive and laborious.

There are two other methods that might have been done: one, the manipulation of odd shaped diaphragm stops at the camera lens so that the high-

(Testimony of Walter S. Marx.)

lights are overexposed in relation to the other values in the art. However, when that is done the camera has no way of distinguishing between the parts of the illustration that are to be reproduced pure white and those that are reproduced as a very light gray. Consequently, the light grays often disappeared along with the pure whites.

And a fourth method is simply cutting away the dots from the metal plate which is eventually to be used for printing.

Q. Now, from inspection of that Exhibit 79, can you tell whether or not one or more of those methods was used?

A. I can tell that one or more of those methods was used.

Q. Now, referring to Exhibit 80, is the same thing true? A. Yes.

Q. How about Exhibit 81?

A. There are a number of illustrations clipped together as Exhibit 81. This is the first time I have seen this [124] exhibit. But it looks to me as though all of the highlight half-tones in this exhibit—and there are a number of them—were made by one or more of the methods I have just described.

Q. Mr. Marx, I show you Plaintiff's Exhibit 59. Do you know what that is?

A. A series of highlight half-tone engravings.

Q. Now, can you tell from inspection the process used to result in those? A. No.

Q. You cannot? A. I cannot.

(Testimony of Walter S. Marx.)

Q. I notice that on the exhibit the words "150 lines" or "175 lines" or something like that appears. Is there any significance to that?

A. Yes. That means that a fine, relatively fine screen was used. That means that the dots are closer together and all are smaller.

In fine screen reproductions highlighting can sometimes be accomplished without a special process because the dots are so small that they appear to be not there. I mean, looking at the half-tone is an illusion, anyway. You see a series of dots, actually; but the impression you get is a picture.

Now, that series of dots in a fine screen illustration—let me change that. [125]

Where the dots are very fine the advantage of a highlight process is lost because the illustration looks very much like the original, and the whites are so close to white that it is hard to distinguish between the lightest values in the fine screen engraving and white.

Q. Is your process then directed to some other kind of half-toning? And if so, what?

A. Yes. Our process is directed primarily to newspaper illustration, where the paper is necessarily very cheap and there is a good deal of lint on the surface that would be picked up by a fine screen engraving. It's characteristic of fine screen engraving where there are small dots, the little areas between the dots must be quite shallow.

Q. Do the newspapers use fine screen engraving?

A. No. The newspapers use very coarse screens

(Testimony of Walter S. Marx.)

on the order of 55 lines or 65 lines and sometimes as even as high as 75 or 85.

Q. And those engravings before you in Exhibit 59, are they coarse screen or fine screen?

A. Yes. This is a photostatic reproduction, but I am quite sure the originals—I think I can almost see the dots on this reproduction and they are quite coarse.

Mr. Lyon: That is all. [126]

Cross Examination

Q. (By Mr. Hoppe): Mr. Marx, at the time you had this discussion with Mr. McCaleb in Chicago on your way to the Cleveland convention, that was on October 6th, was it not?

A. Yes, I believe it was.

Q. The date that letter was written?

A. Yes.

Q. And Mr. McCaleb was the president and a stockholder of *Kemart* Corporation at that time, was he not?

A. One moment. I don't know that I saw Mr. McCaleb on the same day the letter was written. As a matter of fact, the convention is usually towards the middle of the month. I probably saw Mr. McCaleb some time after the letter was written, if it was written on the 6th.

Q. How did you receive that letter, Mr. Marx?

A. Through the mail, to the best of my recollection.

Q. Where were you when you received it?

(Testimony of Walter S. Marx.)

A. Santa Barbara.

Q. How did you get from Santa Barbara to the convention? A. Via Chicago.

Q. So you had the letter with you when you were in Chicago and saw Mr. McCaleb there on your way to the convention? A. Yes. [127]

Q. At the time that you discussed the question of infringement with Mr. McCaleb, had you ever seen a piece of Kemart copy?

A. Frankly, I can't recall that to a point that is definite enough to state it here. I will have to say I don't know.

Q. Which of the Berry patents were you familiar with at the time that you had this meeting with Mr. McCaleb in Chicago?

A. Both of them.

Q. What else did you know about the Kemart process at the time you had the meeting in Chicago with Mr. McCaleb?

A. Well, it was pretty obvious to us what the Kemart technique——

Q. Would you please listen to the question.

I said, what else did you know, not what you conclude. What else did you know about the Kemart process?

A. Well, I believe I can say I knew the things that were obvious to us, as I started to say. After all, we're doing the same thing that Kemart was now trying to do and we understood those patents quite well. So we knew enough about the process

(Testimony of Walter S. Marx.)

to know that it was an infringement, at least from our standpoint; not being legalistic minded.

Q. What did you tell Mr. McCaleb about the Kemart process at this meeting before he wrote the opinion? [128]

A. Mr. McCaleb was the kind of an attorney who could tell us about the process. He was technically able to do that.

Q. What facts did you tell Mr. McCaleb?

A. I don't recall what I told him about the Kemart process.

Q. Now, before you made your invention there were highlighted negatives such as those that are before you, Exhibits 79, 80 and 81, is that right?

A. Yes, that's correct. These are positives, of course.

Q. What do you call those, "highlighted reproductions"? A. Yes, you might.

Q. And those highlighted reproductions, some of them are in newspapers and in coarse print and some of them are in slick magazines and in fine print, is that correct? Fine screen print?

A. That is correct.

Mr. Hoppe: Will you please hand this up to the witness?

(Whereupon the document was placed before the witness.)

Q. (By Mr. Hoppe): Now, that Exhibit J, do you recall that exhibit? A. Yes.

Q. Those are not highlighted reproductions, are they? A. That's right.

(Testimony of Walter S. Marx.)

Q. They have a screen pattern in the highlight areas, do they not, sir? [129]

A. I believe they do, as far as I can tell. One really needs a magnifying glass to be sure.

(Whereupon a magnifying glass was handed to the witness.)

The Witness: Thank you.

Yes, the entire area of both illustrations seem to be filled with dots.

Q. (By Mr. Hoppe): Now, one of those papers is in 1936. What paper is that, sir?

A. The Hamilton Advertiser.

Q. Where is the Hamilton Advertiser published?

A. I don't know.

Q. Is that not in Scotland? I notice the word "Glasgow" in one of the corners.

The Court: It might be in Ontario.

The Witness: I don't see "Glasgow."

The Court: Isn't there a Hamilton, Ontario?

Mr. Hoppe: I was going to ask him that, also, your Honor.

The Witness: I don't see any clue that would tell me where Hamilton is located.

Q. (By Mr. Hoppe): You don't believe that it is located in the United States, do you, Mr. Marx?

A. I don't know.

Q. Well, you obtained the paper. Where did you obtain it? [130]

A. That was obtained for me by someone. I don't know where it was taken from. It was prob-

(Testimony of Walter S. Marx.)

ably taken from something out of the Santa Barbara Public Library, with their permission, I hope.

Q. That's an original piece of paper, isn't it?

A. Yes. It may have been something purchased from the library, or from some collection. I don't know.

Q. You don't know where that came from?

A. No, I don't.

Q. What about the photostat. Do you know where that came from?

A. That is from the Santa Barbara Morning Press.

Q. And who obtained that?

A. Possibly the same person who obtained the lower picture.

Q. Who was that person?

A. I don't recall; someone in our organization.

Q. It wasn't you, though?

A. No, it wasn't me.

Q. Now, you recall during your first trial, Mr. Marx, that there was a discussion concerning your educational qualifications and your testimony?

A. Yes.

Q. Would you please state what your technical training was? [131]

Mr. Lyon: Objection. There was nothing said about this on direct.

The Court: I have some vague recollection that we went into that. Wasn't it the University of Pennsylvania? Wasn't that involved?

(Testimony of Walter S. Marx.)

Mr. Hoppe: I expect to go into it a little greater, your Honor.

The Witness: That was one school. I attended Pennsylvania.

The Court: I remember something about it.

What would be the purpose of it?

Mr. Hoppe: They tried to show good faith in this action on the question of attorney's fees, your Honor. I want to show an absence of good faith in the fact that this witness did not tell the truth on the stand concerning his educational qualifications. I think if a man makes false statements that it goes a great deal towards minimizing his protestation of good faith at a later date.

The Court: Wasn't that fully developed upon the trial?

Mr. Hoppe: I don't believe it was quite fully developed, your Honor.

The Witness: I would like to answer that, your Honor, if I may.

The Court: Very well.

The Witness: I stated in this courtroom [132] the names of several universities that I attended. I was absolutely wrong in my statement that I went to Dartmouth College. But I would like to explain why I said that and how it happened.

Q. (By Mr. Hoppe): I would like to hear that, sir.

A. I went to Clark School, which is a prep school in Hanover, New Hampshire, the same city

(Testimony of Walter S. Marx.)

where Dartmouth is located. A few of the faculty members of the Clark School were also Dartmouth faculty members and often Dartmouth students would come to Clark School for schooling. As a youngster, I believed it was impressive and in my favor to, therefore, say I went to Dartmouth instead of to Clark. And that error has apparently followed me and haunted me down right to this trial. And it was more habit than anything else that caused me to say that.

All the other schools that I mentioned were attended, although for very short periods. I was unfortunate in being in the hospital a good deal of the time when I was of college age.

Q. Then you did not graduate from any college?

A. No, I did not.

Q. And did you do any postgraduate work in spectral analysis?

A. Yes. During the war there were some classes held at Pasadena that were opened to the public; and inasmuch as we had some war work at my laboratory we were considering, [133] I took these courses at Pasadena.

Q. What postgraduate degree were you working for?

A. No degree. Just to learn enough about mass spectroscopy to do the job that we planned.

Q. Well, then you really just studied spectral analysis, is that correct?

A. Well, no, they are two different things. I

(Testimony of Walter S. Marx.)

didn't study spectral analysis anywhere. My technical training is primarily the result of working in a laboratory and with what little chemistry I did study at the various schools I attended.

Q. Did you do work in physical chemistry, study that?

A. No, I didn't study it. I didn't matriculate in anything like that.

Q. And in this particular field what specialized training at what university did you have?

A. I am not sure what you mean by "specialized training in this field." There are no courses given. However, I think you may refer to the course that I took at the University of Southern California. I enrolled for first year chemistry but worked separately from the class with Professor Smith on work that was specific to this graphic arts interest of mine.

Q. Did you take any specialized training at eastern universities? [134]

A. The specialized training at eastern universities would fall into the same category of interest in the graphic arts discussed with faculty people and graduate students.

My education is a pretty balled up affair, and I am not sure I have gotten across to you just where I picked up the widely scattered bits of information I needed to become what I consider fairly well grounded in this work.

Q. Now, you referred to four methods that

(Testimony of Walter S. Marx.)

might have been used to make Exhibits 79, 80 and 81. A. Yes.

Q. You didn't mention all of the highlight processes that were known in 1936, did you?

A. I may not have mentioned them by name, but they all fall roughly into those four categories.

Q. What about the Bassani process?

A. That was used so little that I hardly consider it worth mentioning. It was a way to jiggle the screen in the back of the camera to get rid of highlights. But it didn't do that, and it wasn't used extensively, and was soon forgotten.

Q. But you don't know whether that might have been used, do you? A. No.

Q. Are you familiar with the process that has been described in the Gerland patent which is here in evidence, [135] where they take two shots on the negative, one with the screen in place and the other without the screen?

A. I thought I referred to that by saying "camera and lens manipulation."

Q. Now, that uses the same screen manipulation that you do, doesn't it, sir, the Gerland patent?

A. It gives us the same screen manipulation that we use, you say?

Q. Yes. Where they take one shot with the screen in place and another shot with the screen removed from the camera. A. Oh, yes.

Q. Now, you don't know whether the Gerland patent was used in any of those exemplars, do you?

A. No, I don't.

(Testimony of Walter S. Marx.)

Q. You don't know that it was used or that it was not used? A. That is correct.

Q. Your company is a business competitor of the Kemart Corporation, isn't it? A. Right.

Q. And it was a business competitor of the Kemart Corporation in October of 1948, was it not?

A. Yes.

Q. It still is a business competitor? [136]

A. Yes.

Q. Do you have in your mind, now, comparative sales figures of the sales of your contracts?

A. Yes.

Q. During the years 1948, '49, '50 and '51?

A. Yes.

Q. How did the sales of 1948 compare with 1949? Or, rather, '49 with '48?

A. '49 was better, a better year than '48.

Q. And how did the year 1950 compare with the year '49?

A. I might simplify this by saying that each succeeding year was better than the previous year in the profit history of my company.

Q. Each year you showed a gain?

A. That's right.

Q. And is that true up to the present date?

A. Yes.

Q. Now, this letter of Mr. McCaleb's which was executed in 1948 on October 6th, you showed that to Mr. Frey, did you not? A. Yes.

Mr. Lyon: I think counsel should make it clear as to which letter of Mr. McCaleb's he is talking

(Testimony of Walter S. Marx.)

about. There are two of them. One was written to Printing Arts Research and [137] one was written to Kemart.

Q. (By Mr. Hoppe): Do you know the letter to which I refer?

A. I thought I did. The letter that was shown to me a moment ago here.

Mr. Hoppe: Yes, sir.

The Court: Identify it by exhibit number.

Mr. Hoppe: What is your exhibit number on that, Mr. Lyon?

Mr. Lyon: RR, if you are speaking of the one to Printing Arts Research.

Mr. Hoppe: That's right.

May I just speak to Mr. Adams for a moment, your Honor?

The Court: You may.

(Whereupon counsel had a conference with his client.)

Mr. Hoppe: That is all.

Mr. Lyon: Just one thing, sir.

Redirect Examination

Q. (By Mr. Lyon): When did you start your company, Mr. Marx?

A. The company was formed in late 1938.

Q. When did you introduce the Fluorographic process? A. Early in 1938.

Q. When did you start licensing it? [138]

A. The fall of 1938.

Q. Well, I want to get a picture of the rate of

(Testimony of Walter S. Marx.)

growth of your business from, say, in the early 1940s until today.

Now, can you tell me how your increments of increased business compared? Were there any especially good years or any especially bad years?

A. No. The years were quite uniform with the exception of the year in which we bought the stock of the Esquire Magazine people. The curve has a little wave that year. But aside from that, the business has gone up by more or less equal increments each year.

Q. When did you buy the Esquire Magazine?

A. In 1941.

Q. Now, referring specifically to, say, 1949, which was between the time this suit was filed and the time that Judge Mathes gave his decision, did your business enjoy any greater or any lesser increase than had been evident in years before?

A. No.

Mr. Hoppe: That is objected to, your Honor, as not being the best evidence. We asked him general questions. You are getting to specific questions. If we want to get into that, I suggest we have the best evidence, the sales figures.

Mr. Lyon: I am just drawing comparisons, your Honor. Mr. Hoppe asked me—— [139]

The Court: It's already been asked and answered, I think, generally; unless you do have the figures, why,——

Mr. Lyon: We don't. Mr. Hoppe asked me to get

(Testimony of Walter S. Marx.)

this information generally. He said he didn't need the figures if I got it.

The Court: You can have it, generally.

Mr. Lyon: I won't get any more specific.

The Court: Very well.

Mr. Lyon: All right. I want to know as to 1950, was the business increase about the same as it had been each year before?

Mr. Hoppe: My objection continues.

The Court: It's been asked and answered. Sustained.

He stated, as I understood him, that it's been more or less uniform, the increase has, year after year.

Mr. Lyon: I see, your Honor. I wanted to make it emphatically and entirely clear. I understand, and I withdraw the question.

That is all.

Mr. Hoppe: May it please the court, I would like to bring a motion to strike the testimony that the increase was more or less uniform, because my questions were most general, and I didn't want to see the particular sales figures. But "more or less uniform" is something which is very ambiguous, and if we are going to get to that detail, the testimony should [140] be stricken in favor of the best evidence.

The Court: Motion granted.

Mr. Lyon: Then as to my questions and the answers, sir,——

The Court: Anything given referring to more

(Testimony of Walter S. Marx.)

than a trend, any detail of the trend, counsel is entitled, as I view it, to insist on the best evidence at any time.

Mr. Lyon: I just wanted to be sure. Is Mr. Marx's testimony as regards the gradual increase still in the record, sir?

The Court: As to over the period.

Mr. Lyon: Yes. Has that been stricken?

The Court: That is not embraced in the motion, is it?

Mr. Hoppe: No.

Mr. Lyon: Then I have no argument.

The Court: It was when you descended to particulars that he wanted to insist on the best evidence, to which he is entitled, in my opinion.

Mr. Lyon: Yes.

The Court: Anything further from Mr. Marx?
(No response.)

The Court: You may step down, Mr. Marx.
(Witness excused.)

The Court: We will take the afternoon recess at this time.

Do you have any further evidence to offer? [141]

Mr. Lyon: No, sir.

Mr. Hoppe: I have one admission against interest to read into the record.

The Court: Very well. We will hear that following the recess. Or do you wish to read it now?

Mr. Hoppe: It will just take me two seconds, your Honor.

The Court: Suppose you do that, and then you

both can have in mind that the evidence is closed and you can think of what you wish to say in argument during the recess.

Mr. Hoppe: From the McCaleb letter of October 6, 1948, which has been received for a specific purpose——

The Court: That's exhibit——

Mr. Hoppe: Isn't that RR?

The Court: The one received today?

Mr. Hoppe: Yes, your Honor.

The Court: Exhibit RR.

Mr. Hoppe: I would just like to read in evidence as an admission against interest the last paragraph of the letter.

"I recommend that all users of the Kemart process, insofar as you are able to identify them, be notified of the existence of your aforesaid patent No. 2191939, its nature and coverage and their infringement thereof."

The Court: Now, is the evidence closed on both sides? [142]

Mr. Hoppe: Our testimony is closed, your Honor.

Mr. Lyon: Yes, your Honor.

The Court: Very well. I will hear you in argument after a recess of five minutes.

(Short recess.)

The Court: You may proceed, Mr. Hoppe.

Mr. Hoppe: May it please the court, I am going to address myself first to this issue of damages.

The Court: Do you have before you the pleading that tendered this issue?

Mr. Hoppe: Yes, I do, your Honor.

The Court: It might be helpful if you all had that in mind in this discussion, just what the issues are that are tendered; that is, the detail of them.

Mr. Hoppe: It appears on page 7 of our printed record in 12948. And in paragraph 19 of the complaint it says,

“Defendant has circulated letters and statements that plaintiff’s process, the Kemart process, is an infringement of either or both of the letters patents enumerated in paragraph 3 hereof.”

Paragraph 13 states:

“Plaintiff’s process known as the Kemart process, including the devices, material, equipment and supplies used in practicing the process which the defendant Printing Arts Research Laboratories, Inc., charges to [143] be infringements of the letters patent enumerated in paragraph 3 hereof do not individually or collectively infringe any of said patents or any claim thereof.”

Paragraph 14 says:

“Plaintiff nor any of its licensees has not done any act or thing, and is not proposing to do any act or thing in violation of any right belonging to defendant by virtue of any said letters patent listed in paragraph 3 hereof.”

Paragraph 15, from which I read before, further states:

“By reason of such acts and doings of defendant, plaintiff is having great difficulty in doing business with respect to its processes, and some prospective licensees having refused and continue to refuse to

purchase and deal in plaintiff's processes until such charges and claims are eliminated."

In the prayer, paragraph F on page 9 of the record asks for "Damages resulting to plaintiff from defendant's wrongful acts and doings."

And paragraph C on page 8 asks for "Plaintiff's attorneys' fees in connection with this action."

Now, all of those things have been denied, as your Honor will recollect, and it has now been found and it is the law of the case that Kemart's processes do not infringe the Marx claims. So we have a situation where the charges are [144] false.

Now, the question is, are they actionable? And if they are actionable, are we entitled to damages?

Now, the complaint does not state the theory upon which relief is sought. I have treated it as libel and slander. And the reason I have done that is that in Ohio, where the publication took place, it has been held that it is libelous, per se, to charge somebody with infracting—that is the language they used at that time—a regularly granted patent. That case was decided back in 1834 and it is the first libel case that we are able to find of any kind in the State of Ohio.

The Court: I remember you dwelt at some length on that case in the previous hearing.

Mr. Hoppe: Now, I have Sheppardized the case since the previous hearing, your Honor, and the case is cited time and time again as stating the Ohio law on libel. It's been cited on other libels—not on the particular libel we have—but it has been

cited, and it today stands without any tarnish upon it even though it's an 1834 case.

The Court: It would be your position, I take it, that no matter what the circumstances of any patentee accusing anyone in the State of Ohio of infringing his patent, he is liable in damages.

Mr. Hoppe: No, your Honor. I think you have overstated [145] my position.

The Court: Well, I hope to.

Mr. Hoppe: Yes. I think you have overstated it quite a bit.

It is my position that if in Ohio you want to charge somebody with infringing a patent you tell him about it, and you don't tell anyone else. You don't publish it in the trade journals. You tell him about it. And you keep quiet about it until you have been proven to be false or right. It is our position that you have the right to make the publication. You have that right because we have freedom of speech. The Constitution gives us freedom of speech. So you have the right to make the publication. But if you have made it and you have been wrong, you are subject to damage just like you are in any other libel.

The Court: There is no question about that. But if you publish it at all, it's actionable under your theory, isn't it?

Mr. Hoppe: Yes, I don't think you should publish it.

The Court: Suppose there were half a dozen users of this process in Ohio, the Kemart process, and this defendant notifies them preparatory to

bringing suit, that would be actionable if there were no infringement, would it not?

Mr. Hoppe: If it were preparatory to bringing a suit, your Honor, and the letter was a private letter that went to [146] the particular prospective defendant, you wouldn't have a libel because there wouldn't be a publication, your Honor.

The Court: Well, suppose the letter said, "We are writing all users of the Kemart process advising them of their infringement, notifying them of infringement and demanding that they desist or suffer a suit for an injunction in damages."

Mr. Hoppe: Well, your Honor, I'd hesitate to say what the Ohio law would be under those circumstances. And it's quite fortunate that we don't have that case, because I think it would be a very hard case to decide. But we don't have that case here. Here we have a case where at a convention Mr. Marx admitted that he had showed the letter to Mr. Flader. All the witnesses have agreed that Mr. Flader was a leader in the industry. You couldn't have gone to a better man or had a better man to show it to.

Now, Mr. Marx testified that Mr. Flader came to him. Well, Mr. Flader was a man that undoubtedly went around the convention because he was the leader of the industry and he probably looked at all of the booths. But whatever the outcome of that particular publication was concerned, how ever it came about, it can't be denied that the statement was false, and it can't be denied that it was published. Those two things can't be denied.

The Court: How long was that in advance of the [147] commencement of this action?

Mr. Hoppe: That was about a month and a half in advance of the action, your Honor.

The Court: Then the action would be a publication, wouldn't it?

Mr. Hoppe: If that would be true, your Honor, then any libel and slander case could be thrown out by saying, "Well, as soon as you filed your complaint you published the libel so you can't recover."

The Court: No. The question is, "Could you recover any damages except that incident to the publication prior to your own publication?"

Mr. Hoppe: I think we are allowed to collect the consequential damages that flow from republications following the date of the original publication.

The Court: Even subsequent to your own publication of it?

Mr. Hoppe: We didn't publish the libel, your Honor.

The Court: Well, you published it in your complaint in this action.

Mr. Hoppe: No, we didn't, your Honor. That is what they have been saying.

The Court: Didn't you say, "You are accused of infringing and there is a controversy over it," and you wanted a declaration of rights and interest?

Mr. Hoppe: That, we did. But we didn't say that we infringed. We say we have been accused of infringing.

The Court: You published the defendant's alleged libel against you, didn't you? Because you

said the defendant had accused you of infringement.

Mr. Hoppe: Well, that type of publication in actions of this type, your Honor, has been held to be one of the consequences that flow from the original publication; and not only is that not a defense, but according to the cases we are entitled to our expenses for having to put that publication in the papers to try to satisfy our customers.

The Court: Well, I am speaking of the complaint in this action being the publication.

Mr. Hoppe: No, I don't believe so, your Honor.

The Court: You publish it to the world, don't you, when you file a public document like a complaint?

Mr. Hoppe: Oh, I suppose theoretically you do, your Honor.

The Court: And how long after the defendant's showing of this letter was the action commenced?

Mr. Hoppe: It was commenced as soon as we could, within six weeks.

The Court: Then, are you entitled to any damages *other those* that accrued, or may have accrued between the time?

Mr. Hoppe: I would say yes, your Honor. I haven't [149] come prepared for that particular question.

The Court: The thought that is going through my mind is how could you distinguish between the damage that was caused by showing the letter at Cleveland and the damage that occurred after the filing of your complaint?

Mr. Hoppe: Well, let's get back to the fundamental principle we had in the old Squid case that we all recall where somebody takes the squid and throws it. You can't tell which toss of the squid is the one that actually caused the damage. But you presume that it's the first one.

Now, this thing all started with Mr. Marx. If Mr. Marx had not made his publication in Cleveland, it wouldn't have been necessary to bring the suit. And it wouldn't have been necessary——

The Court: Oh, just a moment. Now, just a moment. Suppose that Mr. Marx had said nothing about the letter and had refused to say a word, but the letter was in existence. Who can say but what Kemart would have brought the declaratory judgment action?

Mr. Hoppe: We can't say, your Honor. But that is not the case.

The Court: Because the threat had been made to Kemart. There is no evidence that the publication of the letter to other people had anything to do with the commencement of the action, is there?

Mr. Hoppe: That is what brought it about, your Honor. The complaint says——

The Court: Well, can we say that? Or must we not say that there was an actual controversy, presumably, between these parties which was the predicate upon which the action was based. And it would have been the same situation whether anyone had ever quoted the letter or not.

Mr. Hoppe: Well, again, it's one of those things that didn't happen. And we don't have to make con-

jecture here. We know what the facts are. We know that there was a publication because the publication has been admitted.

The Court: Yes. I am referring now to the damage flowing from it; whether any damage resulted from it or whether the damage resulted, if any damage there was, from the commencement of the action.

Mr. Hoppe: Well, now, if your Honor will recall in that connection, the licenses that the Kemart Corporation had provided that the Kemart Corporation would hold its licensees harmless from any suits for patent infringement. And this letter which was published said that the licensees should be told about this infringement. So, we don't have room to guess what would have happened if the publication hadn't been made.

The Court: Well, a good-faith notification to these licensees was perfectly proper, wasn't it?

Mr. Hoppe: Well, a good-faith notification to the licensees themselves and not published undoubtedly would have been proper. But we are not talking about that, your Honor. We are talking about a different situation. I would like to talk about the lawsuit that we have here rather than some other situation.

The Court: Well, we test it by extreme cases. Suppose this defendant had asked Kemart to "Give us the list of your licensees," and Kemart, very naturally I suppose, would not do that. So the defendant puts an advertisement in the next issue of the trade bulletin, and says, "Notice to all Kemart

licensees: We have asked Kemart Corporation for a list of your names in order that we might advise you privately of this, but that has been denied to us. So, you are contributory infringers of this patent and we must take this means of notifying you that if you continue your use that you may expect to be sued."

Mr. Hoppe: In my opinion, that comes clearly within *Watson versus Trask* and there would be no doubt, under the holding of that case, that there would be liability.

The Court: And good faith would have nothing to do with it.

Mr. Hoppe: Good faith has nothing to do with it in Ohio. That's my position, your Honor. And I would like to argue that that is our position on one reason that we are entitled [152] to damages.

The Court: In other words, it's your position then that in this type of situation, at least in Ohio, that if there was any publication at all, it's actionable.

Mr. Hoppe: If it's false, your Honor.

The Court: If it turns out to be false,——

Mr. Hoppe: Yes.

The Court: ——and if there is an adjudication of non-infringement, why, that's an adjudication of falsity, isn't it?

Mr. Hoppe: That is my position on the Ohio law. And I have *Sheppardized* *Watson versus Trask*; and I have also looked at all of the Ohio cases on patent libels and there are only four where the man that made the charge was left off the hook.

The Court: That is argued rather fully in your brief that you filed before, isn't it?

Mr. Hoppe: The Sheppardized part is not argued, your Honor. But I would like to send my briefs to you that we had in the Court of Appeals on that, because our record here is quite along the same lines of the earlier record.

The Court: I would be glad to have them.

Mr. Hoppe: Then I would like to send you our opening brief and our reply brief. And I haven't changed my view.

The Court: I thought I had them, but my bailiff searched [153] for them, and apparently I don't. Usually the clerk of the Court of Appeals sends us a copy of matters like that to be filed, if there are enough copies available for that purpose.

Mr. Hoppe: Well, we do have extra copies, your Honor.

Now, I would also like to approach this, because we don't state a theory from the unfair competition angle because defendant says, "Well, it isn't unfair competition to do this." So let us assume that the cause of action, instead of being a cause of action for libel and slander, is a cause of action for unfair competition. Now, in that, your Honor, I will admit that if it is only actionable as unfair competition and if it is not actionable as libel and slander, I will admit that if we are in that position—and I will save counsel the argument on it—the existence of bad faith is a *sine qua non* to an unfair competition situation. I will concede that.

Now, do we have bad faith here? And I would

like to direct your Honor's attention to several things which are, in my mind, very indicative of bad faith. Your Honor will recall when the depositions were read that as late as April 1st and 2nd of 1949, Mr. Marx had conceded that he had never seen a piece of Kemart copy. Your Honor will also recall that in that same deposition on April 1st and 2nd, 1949, Mr. Marx was of the view that in the highlight areas of the Kemart copy — this is not seen — that the Kemart copy reflected ultraviolet [154] light. He said that on April 2nd in his deposition in 1949; not the equivalent argument that was before your Honor on the first trial, but at that late date, with all of this material he'd read, he was so careless that he still thought that the Kemart copy reflected ultraviolet light from the highlight areas.

Now, we say, your Honor, that when a person makes a charge of infringement, either with or without a letter of an attorney, when he hasn't even looked at it before he makes the charge that that isn't good faith.

And I would like to go on with what I think is more reprehensible than that. That was something that affected us directly. But I think the next thing, and it is this Exhibit J which was presented to your Honor as being typical of the problems that confronted the art in 1936, and I have never seen a more atrocious thing in my life than that—one of the papers, apparently, isn't even a United States paper, and this other thing, you can see a person really had to hunt for that, when we brought forth

contemporaneous exhibits showing that at that time the art had progressed to the point where there were very, very attractive highlight drawings. And in evidence here, your Honor, we have examples of the Fluorographic art right here that were in evidence before, and they are every day as good—that is, this prior art in 1936 was every day as good as the Kemart—— [155]

The Court: Wasn't the record at the trial something to this fact: "Yes, you could produce those things but it was not economically feasible"; that either the dots had to be cut out or carved out of these ink plates or painted off the negative of the film, or done by hand in such a way it was not economically feasible. Wasn't that the status of the record?

Mr. Hoppe: That was some of the record, your Honor. But Mr. Marx today admitted that he couldn't tell they weren't made by the Gerland process and he couldn't tell that they weren't made by the Bassani process, both of those processes. And it's been shown here that it didn't require that hand etching.

But that isn't the point, your Honor. The point is that he said that this is the trouble the people were having the trouble is this, and they weren't having that trouble. And, as you can see, it was economically feasible because in January 1936, at random, we have all of these. Take a look at this, your Honor.

(Whereupon counsel handed the document to the court.)

Mr. Hoppe: That is everywhere as good as anything that Marx has presented as showing of his process.

The Court: Yes. Well, I had the impression that the testimony at the trial was that this result could be achieved, but that the virtue of the Marx process was the [156] economy with which it could be achieved, so that instead of special advertisements having the highlights without the dots, that every advertisement could have it. And that the ordinary newspaper advertisement could have it.

Now, you have been over the record. I have never been over it since the trial. But I just have that impression, that the slick paper magazine such as the—what is it, the Delineator, or some of those—that advertises in such publications could afford to eliminate the dots by the cruder method, shall I say; but that the Marx method made it available to all manner of publications. At least, that is my impression of the virtues that were extolled at the time of the trial.

Mr. Hoppe: That is exactly why I took some newspaper pictures, your Honor, because the record does leave that inference. Here just in one month's issue we find, even on something where an advertiser isn't paying for it, "Fashions up to the minute by Trunella Wood—" we have the highlight negatives just in the regular newspaper work.

And that is the point, your Honor. They did oversell this case to your Honor. Of course, if the advance over the art is extremely great, a court feels

justified in applying a very wide range of equivalents.

The Court: Well, according to the Court of Appeals no amount of range of equivalents would be broad enough to make Kemart an infringer, as I read it. [157]

Mr. Hoppe: That is right. Because they didn't get claims that were broad enough to cover this. Your Honor will recall the claims were very narrow that they got, and it was partly due to this type of evidence that undoubtedly led the Patent Office—that undoubtedly the Patent Office knew about, because those men are skilled in this art, that they wouldn't give Marx the kind of a patent that he tried to tell the court he had. The Patent Office refused to give him that kind of a patent. And so he was entitled to the range of equivalents which he urged upon your Honor. The Court of Appeals said he wasn't entitled to any.

Now, that is part and parcel of what we say is a malicious thing which was done in this case. Undoubtedly, if your Honor had seen at least one prior-art thing that was better than that, your Honor, I am certain, would not have been swayed to grant the judgment that was granted in the first instance.

The Court: I had the impression, as I say, that it could be done. It was just a matter of utility, economic utility, or economic availability, shall I say, of the result.

Mr. Hoppe: Well, your Honor can see that even

that impression—if that was your Honor's present impression of the record; I didn't get that impression of the record, but assuming that was your Honor's impression of the record—this disproves that because it shows that the newspapers at [158] that time were able to do it, and they wouldn't have done it if it hadn't been economical.

The Court: The reason I say this cautiously is that I have read the opinion of the Court of Appeals again, and I wanted to be sure that my recollection of the record was correct, and I didn't merely get this impression from reading the Court of Appeals.

The court mentions the fact that "the halftone method of reproducing wash drawings is old in the photoengraving art." This is 626 of 201 Fed. 2d.

"* * * In the prior art this dot pattern was eliminated by physically routing out the raised dots on the printing plates with a hand tool or machine, or by painting out the dots on the negative. Another method was masking the tone areas of the copy with a substance which made these areas relatively nonreflective of light, and then timing the halftone exposure with reference to these areas of weak actinic value so that the unmasked highlight areas would be over-exposed and the dot pattern in the highlights obliterated. All of these methods required skilled labor and were expensive, time-consuming, and imperfect. Still another method involved making the usual halftone exposure, then displacing the screen and making a second exposure."

Apparently the Court of Appeals had that im-

pression, too. I had the impression, not that this couldn't be done, [159] but it couldn't be done as economically; that what the Marx process did was to achieve, if you please, the result, the desired result, by an improved method and a more economically efficient method.

Mr. Hoppe: Your Honor, I have no dispute with that at all. The point that I am making is that in trying to sell this case — when you use documents like this, when the contemporaneous newspapers show that it was economical enough to have it in the daily papers, that there is an overselling very much like if you say you go to Dartmouth because you think it's more acceptable to go to Dartmouth. It's that typical overselling that Mr. Marx had when he expressed his education. It's just trying to override things, override the facts, make the story a little better than it is. That's what I think. We have all been the victims in the first case; just steam-rolling this whole thing with one little thing after another.

And the next thing I was going to go to is this educational situation, where in that one exhibit they put in evidence they said—and Mr. Marx has just conceded now that he didn't even have these educational requirements—in this Fluorographic article, Defendant's Exhibit OO which was put in evidence before your Honor, they said, "Mr. Marx' technical training has been unusually comprehensive. It includes, after specialized training in eastern universities, postgraduate [160] work in spectral analysis and physical chemistry."

Well, he never even graduated, so he couldn't have taken any postgraduate work.

The Court: Well, that was all brought out at the trial.

Mr. Hoppe: I realize that, your Honor.

And then when you think that he was the only witness that they had, you can see the effect that it had on the case.

And I would like to go on beyond the trial, when we came to that matter of the supersedeas bond, your Honor, when Mr. Adams and Mr. Maxfield were down here and said they couldn't raise that kind of supersedeas bond; and your Honor will recall that in the affidavit Mr. Marx said, "Well, let them go into bankruptcy if they can't afford it."

Remember, these were competitive organizations. "It is better for them to go into bankruptcy forthwith if they can't raise that kind of a supersedeas bond."

The Court: Well, I don't remember how it came out, but I remember there was a great disparity between the amount asked and the amount which the plaintiff conceded it could raise. And then, as I recall, the amount fixed was relatively low.

Mr. Hoppe: And your Honor will recall that even to raise that, that the poor Kemart Corporation was in such bad shape financially that it almost did go into bankruptcy, and [161] had to go into that contract which your Honor was of the view that it was usurious. But, nevertheless, in order to stay in business they had to do that. So it shows you how this company which was right on the rocks,

as your Honor found and as Mr. Marx said in his paper at that time, "Let them go into bankruptcy," that they were saved just because somebody was willing to take a gamble.

Let's go on to the next piece of bad faith, your Honor. And that was, in an effort to minimize damages in this case, we changed our procedure so that we weren't using what anybody could say was ultra-violet light only. We brought a motion to modify the injunction so we could use this blue light. And they even opposed that. And in their affidavits they pointed out that we shouldn't even be able to do that.

You will remember that we had that light sample where we had very light blue light, and we compared it with the purple light, and, according to some curves Mr. Marx had in there, we had almost 30 per cent visible light in the light that we were illuminating the copy with. And Mr. Marx even opposed that.

Then, after the litigation was over, you will recall that Mr. Adams testified that Mr. Frey, who is still a salesman, had told him that, "We still got a customer away from you on the basis of this infringement." [162]

And Mr. Youngdahl testified that on the road Frey asked him, "What are you going to do when you get out of a job, when this company goes under?"

So we don't have here, your Honor, an ordinary, everyday, patent infringement suit. We have a situation where the evidence was always overstated a

little bit but maybe not enough to be perjury, but just enough so that when you add up all of these little kernels you get an impression of a factual situation that doesn't exist; where you have a letter that they hold out, from their attorney, and it isn't even from an outside attorney, it's from an attorney who is president and stockholder of the company. I daresay they couldn't even have obtained a letter from outside counsel if they'd known all the facts, because the claims in that patent were so strictly limited, your Honor, that as a matter of law it was held that there was no infringement.

The Court: Of course, we know all that now. But I wasn't deceived on the facts. I just made what the Court of Appeals has declared to be an error of law. And with all deference, I have to tell you that I still believe the Court of Appeals is clearly wrong in this case. Because I didn't conceive that there was any particular range of equivalents. I didn't get to that.

To my mind, Kemart was substituting a more inefficient method, a step in the process, that was like Rube Goldberg, [163] one of Rube Goldberg's things. Instead of going from A to B, Kemart Company was going around from A to O to B in order to try to avoid infringement. That's the way it appeared to me then, and I haven't seen anything, frankly, that appears any different today.

Now, I may misunderstand it. But I don't want to sit here and appear to have great knowledge of all this and have you argue under a misapprehension. I still think—and I told Judge Bone so—that

the Court of Appeals is dead wrong in this case. I have been reversed in several patent cases. I have never said that about any other patent case in which I have been reversed, because I've never felt that there wasn't room for differences of opinion. But I am an unreconstructed rebel as far as this case is concerned. And I read it again since this hearing started. I suppose I have read this opinion more than any other opinion in any case in which I have ever been reversed. Because I am trying to understand the Court of Appeals. And I still don't understand them.

Mr. Hoppe: Well, then, your Honor, under those circumstances, I think I had best rely my case on *Watson v. Trask* and not try to persuade your Honor on the malice. But I would think, your Honor, seriously, that when a person, regardless if you think he is right or wrong, when a person overstates evidence on the stand and when a person overstates [164] his educational qualifications, and when a person expresses the view that he thinks his competitor ought to go into bankruptcy if he can't stick it out, when he opposes an effort to minimize damages by *an over* even what your Honor would have thought was the construction of the claims at that time—when he does all those things, your Honor, I think, regardless of what a person thinks the facts were in the first case, that that party has shown that he is malicious. I say that, your Honor, advisedly. But I say, regardless of what your Honor thought the facts were, that those things, which may or may not have been controlling, indicate a

malice at least in law—maybe not an actual malice but certainly it indicates a malice.

And when during the course of the trial in June 1950 they publish a little statement in the press saying, “We are going to go to the trial pretty soon”—another little scare item—they didn’t have to put that in the papers. We have got that in evidence. That wasn’t in evidence on the first case.

I say, your Honor, regardless of what your Honor thought the facts were in the first case, that that type of conduct is the type of conduct very unbecoming of a litigant.

The Court: Well, I have no sympathy with competitors trying their cases in the trade journals or anywhere in the trade. But on a question of malice, is there anything more [165] here than the feeling normal between two hot competitors?

Mr. Hoppe: Well, your Honor, I know that I personally—and you are not supposed to argue from personal experience, but I say this because of the question you ask—I personally would never send out a letter of infringement to anyone unless I had at least looked and had my client look at what they were doing. And Mr. Marx said on April 2, 1949, “I have never seen what purports to be Kemart’s copy.”

The Court: But they thought they had an understanding of what it was.

Mr. Hoppe: They demonstrated that they didn’t have that, your Honor. That is the point I am making.

On April 2, 1949, Marx said, “This reflects ultra-

violet light from the highlight areas,” and your Honor will recall that it was stipulated at the trial, when they finally found out how it worked, that it didn’t reflect ultraviolet light; that what it did was emit visible fluorescent light from the highlight areas.

The Court: That is what the blue light would have done, too, isn’t it?

Mr. Hoppe: Yes. But the blue light would have been excited partially by the ultraviolet light and partially by visible light.

The Court: It seemed to me there was no virtue just to emit some more visible light. In other words, to dilute your [166] ultraviolet light would only make the process more inefficient and shouldn’t affect any common-sense determination of the infringement issue.

Mr. Hoppe: Well, when you have claims that read “ultraviolet light only,” your Honor, that means what it says, “ultraviolet light only.”

The Court: That means the efficacious light is ultraviolet light only. That is the way I would so construe it.

Mr. Hoppe: They asked for claims on just plain ultraviolet light, your Honor, which would be the efficacious light. Your Honor will recall that the Patent Office said, “You can’t have that because we won’t give you that kind of a patent.”

The Court: On ultraviolet light only?

Mr. Hoppe: No. They asked for some claims on ultraviolet light. They asked for claims without the word “only,” if your Honor will recall, which is the

way your Honor is now construing the claim, saying that "ultraviolet light" doesn't mean ultraviolet only, but it means that that is the efficacious light.

The Court: Of course, I do agree with the Court of Appeals that the claims could be more specific as to where the "only" applies; whether it applies at the point of the negative or whether it applies at the point of the wash drawing, or where it applies. But we don't write the specifications. [167] We have to do the best we can with what we have. I mean, we don't write the claims; we interpret them in the light of other matters, specifications and drawings appearing in the letter.

Mr. Hoppe: Your Honor, that's entirely true. But also we construe them, when the Patent Office refuses to give you the type of claim that you later say that you have, you also construe them in the light of that. And Mr. Marx knew; he knew when he made the charge because he prosecuted the case partially himself, and he knew that he had some claims in there that called for ultraviolet light only on the copy. He knew that. He couldn't have helped but know that. It was his case.

The Court: Oh, the file wrapper was here.

Mr. Hoppe: Yes, and he knew it. The point is that he knew that he had tried to get claims with "ultraviolet light only" on the copy, which is the way they persuaded your Honor to construe the claims, and he tried to get claims like that, but the Patent Office said, "You can't have that. You are not entitled to that, Mr. Marx."

Well, Mr. Marx knew that, but your Honor didn't. And that is why——

The Court: The file wrapper was here.

Mr. Hoppe: Yes. But I tell you, your Honor, it takes years and years of study to learn how to read one of those [168] file wrappers.

The Court: Well, litigants are in a very bad way by having judges pass on them without knowing how.

Mr. Hoppe: It's a difficult thing. And that is something they tried to sell your Honor. This isn't anything Kemart sold your Honor.

Now, look at what the consequences that flow from it are. Kemart had to fight a complicated lawsuit which it should never have had to fight in the first place.

The Court: Well, that is true of the victor in any case, isn't it?

Mr. Hoppe: Yes, but in a patent infringement——

The Court: I have never seen a patent case yet that was not complicated with something. And they are usually more or less bitter because they involve competitors. And while competitors may be—as Mr. Adams, I thought, very well described it here—they are very civil to each other but they aren't really bosom pals, you know; they are competitors.

Mr. Hoppe: Well, if I could just leave you with one parting thought, your Honor, and that is, that regardless of whether one can sift the facts out of the case as they actually are—and you can sift the facts out of the record; there is no question but that

they are siftable—that the aura which was given to the facts, which was contrary to the facts, is very much like they were in the case that the [169] Supreme Court termed a very sordid situation. And I quote that in the Hazel-Atlas case which is in 322 U. S.

The Court: I am very familiar with the Hazel-Atlas case.

Mr. Hoppe: In that case, your Honor, the only thing that the litigants did—they had a publication that was wholly truthful, and they ascribed the authorship of the publication to a union official, and the publication was actually the work of a lawyer. And the Court held that using that as evidence was sordid.

The Court: That was manufactured evidence, really manufactured.

Mr. Hoppe: That was manufactured. And it wasn't manufactured any differently than Mr. Marx' educational qualifications were in this case.

The Court: Well, on these occasional things—that was gone into in great detail. You know, people puff about things. Salesmen puff about their wares, and experts puff about their qualifications.

All of it reminds me of advice I have often given young people who say to me, "Why do I need a degree? If I learn everything that is to be learned in college, what difference does it make whether I get a degree?"

And my answer to them is, "So you won't have to spend the rest of your life explaining why you didn't get a degree." [170]

And I suspect that Mr. Marx, if he had it to go over again, he would put some extra licks somewhere, and he might not learn any more but he wouldn't have to make these explanations about what he considers irregularities in his education.

Many people can't go right straight through college, you know. There are economic factors involved, and they can't do it.

Mr. Hoppe: They don't say that they did post-graduate work then, your Honor.

The Court: You know, I was thinking, while you were arguing, of a situation I saw not long ago. It was a photograph of a man called "in the class of so and so." And he was claimed by the school as being in the "class of so and so." And he wasn't in the "class of so and so." He would have been in the "class of so and so" if he had gone three years, but he only went one year. But he's claimed by the school as a graduate of the "class of so and so." He entered three years previously, and if he had gone three years and had graduated he would have been in the "class of so and so." But he went only one year. I know that of my own knowledge.

And I thought to myself, I suppose that's excusable. It's saying something nice about someone. And if they didn't say that they would have to run a paragraph and say he entered in nineteen so and so and only went one year, but if he had finished he would have been in the "class of so [171] and so." And so instead they just put "Class of '93" or whatever it was.

Mr. Hoppe: But you certainly wouldn't have

said about that man that his education was unusually extensive, or you wouldn't have said about him that he had done postgraduate work after he had been in the "class of so and so."

The Court: No. I certainly don't condone, particularly from the witness stand certainly, any puffing of that nature. But it's not unusual for experts.

I tried a condemnation-of-land case here a couple of weeks ago and had about six or eight experts, and to hear them tell of their qualifications to the jury — all of them we have to shut off sooner or later because they just keep going and going. Well, that isn't a criticism, necessarily. They want to impress the jury and they want to put their best foot forward.

You are correct. You characterized it as a selling technique, and that is what it is, a selling technique. But so is advocacy in the last analysis.

Mr. Hoppe: Yes, we are salesmen. I am trying to sell my client's case to you right now. And I am trying to get a sale today. But I can see that I'm not.

The Court: Well, I am not indicating any ruling in this matter. But I didn't want you to argue under the theory that I have been able to change my views about this [172] case.

And I don't have a closed mind on it, either, I hope.

Mr. Hoppe: Well, I am sure that your Honor has an open mind because I have enjoyed watching the hearings and enjoyed all the hearings we have had thus far. And I am enjoying this one.

The point is that you and I do not see eye to eye on what is and what is not malice. That is one thing.

And you and I, I think, part company on the necessity for malice.

The Court: Well, I think we are agreed on the necessity for malice, aren't we? You say it is an essential element of the unfair-competition claim, but not the libel.

Mr. Hoppe: That's right. Not the libel claim. And on that I rely upon *Watson v. Trask*.

The Court: The Ohio law.

Mr. Hoppe: The Ohio law.

The Court: Then there is no question but what the falsity of this charge has been finally and fully and completely—that is, the charge of infringement against Kemart—has been finally adjudicated in Kemart's favor?

Mr. Hoppe: I think we can accept that as a datum point.

The Court: I don't see how that could be disputed, could it, Mr. Lyon?

Mr. Lyon: No, your Honor. [173]

Mr. Hoppe: Now, your Honor, I have a photostat here of the *Watson v. Trask* case, because I noted that it was not in your library here.

The Court: Well, I would be glad to have it. It's in the County Law Library. We have an excellent County Law Library.

Mr. Hoppe: Yes, it is. I have checked, and it is over there, your Honor.

And I would like to have the privilege of sending

your Honor our briefs that we had in the Court of Appeals in this matter.

The Court: I would be glad to have them.

Mr. Hoppe: My argument there is substantially the same as I have just made to you now, except that I have a little more factual presentation of the facts that are pointed out in the briefs.

Thank you, your Honor.

The Court: Will you hand that reprint to the clerk? Or will you submit it in the brief?

Mr. Hoppe: I will hand it to the clerk right now, your Honor.

Mr. Lyon: Your Honor, am I to understand you are not prepared to rule today in this matter?

The Court: No. I want to consider it some more. Frankly, I want to see if I can agree with Justices Stephens, [174] Healey, and Bone. I have the greatest respect for those gentlemen; and, of course, for all the judges on the Court of Appeals. But I am referring essentially to those three.

I have never had a case reversed—and I have had my full quota—other than this one, where I couldn't ultimately convince myself that there was some ground for the appellate court doing what it did. This case has always disturbed me.

Mr. Lyon: It disturbs me.

The Court: Maybe I oversimplified the facts. But to me it was not a question of equivalents. It was just a question, as I viewed it, that Kemart had taken one step of the process and had substituted an inefficient way for an efficient way of doing it and achieved the same result. Now, I may have mis-

conceived it. I want to study that. In other words, I want to try in my own mind, and for my own satisfaction, to some extent the original case. Not that I could change the result. I can't, of course. The result is there. But I would like to see if I can reconcile myself as to the result.

Mr. Lyon: Do you want to hear from me at all on bad faith? It seems to me, as far as the bad faith is concerned, and I may be wrong, but I don't think it would make any difference whether or not you finally became reconciled to this Court of Appeals rule of law on infringement. If you want, [175] I will be glad to speak on it.

I think Mr. Hoppe has largely overemphasized and overstated the very few points that he raises. I can look through any record and pick out a few mistakes and make them sound very good.

The Court: I will hear what you have to say on it. I would like to hear from you, either now or in a memorandum, on this question of the Ohio law. That is a very interesting point that Mr. Hoppe makes, that this charge of infringement is libelous per se under Ohio law and that, it having been adjudicated finally that the charge was false, that under Ohio law such damages as proximately flow from that libel, Kemart is entitled to, irrespective of anything else.

Mr. Lyon: I am satisfied of one thing, regardless of Ohio law and regardless of whether it applies——

The Court: It would apply to a tort committed in Ohio.

Mr. Lyon: Provided it doesn't override and render inefficacious Federal statutory law, which I propose any such construction as Mr. Hoppe contends for it would do.

Mr. Hoppe: I would agree with that, that counsel is right there, that the Ohio law would not override Federal law. If there is a Federal statute to the contrary, I would say Mr. Lyon is right.

The Court: I take it your position is that this publication was not even in purported compliance with any Federal [176] statute.

Mr. Hoppe: That is correct.

Mr. Lyon: I think possibly we need first a little background on this ordinary situation we find when competitors are squabbling over patent rights. You will recall, your Honor, that when Mr. Marx gave Mr. Adams the letter to see, charging patent infringement, and then left, Mr. Adams had lunch with one of the men that Mr. Hoppe claims the libel was published to by Mr. Marx. And Mr. Adams admitted yesterday having told this man all about it before Mr. Marx ever talked to him about it. This is Mr. Mertle.

He then went to Mr. Marx and asked what it was all about and got to see the letter. But Mr. Mertle knew all about it. Mr. Adams had told him about it.

Now, the other two or three—after much cross examination yesterday I couldn't get Mr. Adams to remember whether or not he saw them or spoke to them about this matter before they went to Mr. Marx and asked Mr. Marx about it. I don't know

how they found out about it. I don't know. It's reasonable to assume they found out about it from Mr. Adams, because he showed no hesitancy at all about telling Mr. Mertle about it.

So we have got to remember that the publication, the original publication, if publication it were, was made by Mr. Adams of the Kemart Corporation and not by Mr. Marx of [177] Printing Arts Research Laboratories.

The next step was Exhibit 60, the letter which Mr. Adams said they prepared and sent to every one of their licensees and all the potential licensees they could think of. And Exhibit 60 tells the whole story about the charge of infringement.

The next step brought the suit. They published it twice before: once before Printing Arts Research could ever be accused of publishing it, and once afterwards. So three times they have let it go.

Now, the fourth time, and this is where it got into the newspapers, they sent the whole story to the newspapers and had the Photoengravers' Bulletin actually print and publish that same letter that they had sent to the trade, telling all about this charge of infringement.

So we have four instances of publication. I shouldn't say four "instances" but four times when publication was made by Kemart; and three of those when it was generally sent out to the whole trade.

Now, that's the background we have for the application—if we should apply it—of *Watson v. Trask*. Now, *Watson v. Trask*, this Ohio case, in

very broad language states in an opinion, "A false charge of patent infringement is libelous per se." The case involved no question of privilege. The matter of privilege wasn't there. It involved no matter of [178] bona fides. We can assume from that case that the charge was false, and knowingly false.

The case did involve a campaign, a total campaign, to defame and destroy an individual's reputation, because other things were said about that individual. So that case has no bearing here, unless we take the bald proposition, that apparently Mr. Hoppe takes, that one statement in that case, the charge of patent infringement is libel per se. If that is all there is to it, there could be no good faith and no privilege arising out of the interest of the parties. I don't know why Mr. Hoppe hasn't explained that other than to say perhaps it wasn't pleaded. Neither did he issue a formal pleading of libel in the first place.

Now, as far as the privilege is concerned, privilege is a well-known and well-understood defense to a charge of libel, and it largely involves whether there is a legitimate interest in the alleged publisher and a legitimate interest in the alleged publishee; and certainly those are present here. In fact, at least one of these men was told by Mr. Adams about it. I don't think, so long as there is good faith, there is any question of privilege. And every court in the United States so holds, if they consider this as having anything to do with libel or not; and very few of them do. No case, cer-

tainly, in Ohio has ever suggested that *Watson v. Trask* stands for as broad a proposition as Mr. [179] Hoppe seems to think.

I think privilege is manifest here. The United States Supreme Court, in the *Virtue* case, has made it very clear that a bona fide publication of a notice of patent infringement is perfectly all right so long as the charge isn't knowingly false. So does the Ninth Circuit in the *Celite* case. So does every case that is ruled on. So does *Corpus Juris*.

Now, I would like to talk just a little bit on the matter of whether Mr. Hoppe's interpretation of *Watson v. Trask* would override Federal law.

The Court: Well, he conceded that it did not.

Mr. Lyon: I beg your pardon?

The Court: As I understand Mr. Hoppe, he conceded that it can not.

Mr. Lyon: But I want to talk just a little about how I think, if it were allowed here, it would. In other words, if *Watson v. Trask* were interpreted as Mr. Hoppe would have it, it would override Federal law. And the reason is this: The patent statutes provide in the case of articles and machines that notice of patent infringement must be given in order to collect damages.

Now, Mr. Hoppe answers in his brief that this is a process patent.

Well, we go to the statute on damages. And how have our Federal courts construed that? They have determined [180] treble damages against a willful, wanton infringer.

How does a person become a willful, wanton in-

fringer unless he has notice of that infringement?

The Court: If I understand Mr. Hoppe's position, it is that Printing Arts is properly under the Federal statute if given requisite notice, but didn't need to tell anyone else.

Mr. Lyon: Let's take the users. Those are the ones that ultimately become infringers.

The Court: This is a charge of publication to people who are not users or licensees, as I understand it.

Mr. Lyon: Except in one instance, I think we can say they were. The two Pitman men, Lattimer and Schmidt, are suppliers and, therefore, likely contributory infringers.

Mr. Mertle, who was the original one who heard about this, and heard it from Mr. Adams, is in the record as a consultant who tells people how to do these processes, and certainly Mr. Mertle is an inducing infringer if he sets up the Kemart operation.

The only one who can be said not to be a potential infringer was Mr. Flader. Mr. Flader was editor of the Photoengravers' Bulletin. It is his business to know about these things. He asked about it. His interest is such that obviously such a communication to him would be privileged. In other words, privilege in a trade libel, is, number one, the speaker or the publisher must have an interest, and the [181] received must have an interest, and it must be a proper type of communication.

The Court: I suppose the publisher of a trade journal would want to know all the gossip. But

that wouldn't privilege the publication of a libel to it.

Mr. Lyon: I beg your pardon?

The Court: That wouldn't privilege the publication of a libel to it.

Mr. Lyon: Under these circumstances, yes. The libel had been told to Mr. Mertle. He came and asked about it. We didn't volunteer it.

The Court: Wouldn't that go to the question of damage, whether it had been previously published?

Let's simplify the case. Take this man who is editor of the trade journal. Suppose he comes up and whispers to Mr. Marx and says, "I hear that you are accusing Kemart of infringement and you are going to sue them."

Mr. Marx says, "Yes, they are infringers, and we are going to sue them."

And this man who gathered such gossip and information, that is his business, as you say, and he goes off and prints it——

Mr. Lyon: Yes, sir.

The Court: ——or he publishes it to others. Is that a privilege by any stretch of the imagination? Is that a [182] privileged communication because this publisher of a magazine likes to get all the trade gossip he can?

Mr. Lyon: I think so, yes, sir.

The Court: Every newspaper is interested in every bit of information it can print.

Mr. Lyon: If it's a legitimate good-faith story about the trade, this particular photoengraving trade, certainly.

The Court: Of course, what the trade paper would publish would be true, namely, that Printing Arts accuses Kemart of infringement, which is true, and states that it intends to sue Kemart, which is true, and the licensees.

Mr. Lyon: The difficulty here is that when your Honor poses a question, "Is the publishing of a libel thereby privileged?" the word "libel" has an ugly connotation.

The Court: According to this Trask case, this has been adjudicated a libel, hasn't it.

Mr. Lyon: I propose that the Trask case does not stand for the broad interpretation that Mr. Hoppe puts on it. It was an 1834 case. It was before *Hotchkiss v. Greenwood*. We didn't have a rule that invention was required. We had a very simple economic society. And, presumably, a man who infringed a patent then was a pirate, an economic evildoer.

Now a fellow who infringes a patent, according to some decisions in the Supreme Court, is promoting public policy. Justice Black said, in the *National Lead* case, that an [183] industry without patent litigation is a sick industry. The whole aura surrounding the patent system is so different now than it was 120 years ago, I can't believe Ohio would say that accusing a man of patent infringement and publishing it is libel.

The Court: What you are saying, in effect, is that, whereas it might have been libelous per se in the context of 1836, that it's only libelous today if it is maliciously done.

Mr. Lyon: That is correct. Now, I will concede that no Ohio case since 1834 has so stated. But, on the other hand, there has been no Ohio case which has applied any such doctrine since 1834 as Mr. Hoppe contends for it. But it is completely outdated, completely out of line with modern economic thinking; and particularly as regards with the patent system. The very thought that saying a man infringes a patent can be likened to accusing him of being a felon, and one of the various libelous per se manifestations, sounds ridiculous.

The Court: What about this situation: What about making a false charge of infringement against a competitor with the idea of hurting the competitor's business? Is that malicious? Does that add up to malice?

Mr. Lyon: That depends on whom we are talking about.

The Court: We are talking about competitors. And we [184] are taking into consideration the normal feeling that competitors have toward one another, which isn't to help each other's business. One wants to take the business away from the other. So in that context we have one competitor making what has been adjudicated to be a false charge of infringement——

Mr. Lyon: But in good faith.

The Court: ——against the other.

Mr. Lyon: In good faith he thinks it's an infringement.

The Court: He thinks it's an infringement.

Mr. Lyon: That is what I mean by "good faith." He honestly believes it.

The Court: He thinks that it wasn't willfully false. He didn't make it knowing it was false, but he made it in the spirit of injuring the business of the competitor.

Suppose he did it in the competitive spirit of taking away business from his competitor, an innocently false statement made in that atmosphere. Does that require a finding that it was maliciously made?

Mr. Lyon: I think we have to find out who he said it to.

The Court: He said it to people in the trade.

Mr. Lyon: Would those people, if they used the competitor's process, be themselves infringers or just buy it from them?

The Court: Take the editor of the magazine, who is [185] interested in spreading news of the trade, what he calls news, that may include very damaging documents.

Mr. Lyon: No, I don't think that is malicious, because the purpose of the Photoengravers' Bulletin is to get news; get the warning out, you might say. The people that are going to listen to that are the users, the direct infringers, who should be notified.

The Court: Your position, then, as I understand it, is that the court would be justified in finding malice only if the charge were knowingly false.

Mr. Lyon: Yes, sir. That is one of my positions.

Now, I'd be glad to brief the point if your Honor desires briefing on the matter.

The Court: Well, as I recall, your office filed a brief on this Ohio situation at one time.

Mr. Lyon: Yes. Your Honor passed on it once. Your Honor ruled on it once. You ruled after the first reversal on the judgment, on the mandate, that there were neither damages to be awarded nor attorneys' fees. That was after the reversal.

The Court: The Court of Appeals evidently didn't think that I did.

Mr. Lyon: Well, I can explain that. I don't know whose fault it was, but there was no finding and no judgment to that effect, if I recall. [186]

The Court: I merely struck the provision out.

Mr. Lyon: I think maybe the Court of Appeals is teaching us another lesson. They want findings of fact even where there is no issue of fact, as in the summary judgment proceedings.

The Court: Even negative findings.

Mr. Lyon: Yes. So I have been confident that all they want out of this thing is a judgment and findings so they can properly review the thing in their minds.

You have ruled on it very squarely. But I will be glad to rebrief it.

The Court: Well, I hadn't heard all the evidence I have heard this time, at the time I ruled before.

Mr. Lyon: About all the evidence this time has shown is (1) that the thing was published by Mr. Adams of Kemart before Mr. Marx ever mentioned it; and (2) that when this litigation broke, Mr.

Adams asked each and every one of his customers to send in any threats from Printing Arts Research, and out of those hundreds of people not a one has been sent in.

That is about all this evidence adds up to, to me.

The Court: Is there anything you want to add to the brief you have heretofore filed?

Mr. Lyon: Well, if this matter of *Watson v. Trask* has caught your Honor's attention again and you doubt your [187] previous ruling, I should like to rebrief it. Because, at the time that briefs were filed, there were additional questions of cost and the like, and as a result the treatment of *Watson v. Trask* was not as full as it might be.

The Court: I would be glad to have it. I am rarely so sure of myself on any question of law that I won't reconsider it. And this is an interesting question here. I want to review these exhibits.

Do you wish to file anything new except a brief?

Mr. Hoppe: I was going to suggest this: We have outlined our position, and it hasn't changed since the time we argued in the Court of Appeals. And I would like to suggest that I send your Honor and counsel copies of the briefs that we had before. We will send the whole brief and a covering letter pointing out the portions which relate to the libel and slander, and to the exhibits before the court. And then Mr. Lyon could treat that as our brief and file a response to it. And I could file a reply to his brief.

The Court: How much time would you wish, Mr. Lyon?

Mr. Lyon: Whatever is convenient.

The Court: Well, you will have those briefs to us in five days, will you?

Mr. Hoppe: I will drop them in the mail when I get back tomorrow, your Honor.

The Court: Five days. [188]

And how much time would you wish?

Mr. Lyon: Will a typewritten brief be satisfactory, sir?

The Court: Oh, yes.

Mr. Lyon: Ten days.

The Court: Five, ten, and——

Mr. Hoppe: Ten days for reply.

The Court: Five, ten, and ten.

Very well. The matter will stand submitted, gentlemen.

Mr. Lyon: As I understand it, you will want argument on the good faith, too, your Honor. Is that matter to be reopened?

The Court: Well, that matter is here, and you may say anything you wish to say on the subject.

Mr. Lyon: It is to be reopened and reconsidered?

The Court: It is involved in this question of malice, as I envision it.

Mr. Lyon: I am thinking of the attorneys' fees now, your Honor.

The Court: Well, of course, that involves the question of good faith.

Mr. Lyon: That is what I mean.

The Court: The issue as to mental state is all the way through here.

It seems to me, as I view it now, that a finding that [189] any of these things were maliciously done would raise severe questions of good faith with respect to the action itself, though it can be said that there is nothing inconsistent in finding that these publications were maliciously made.

I will withdraw that. I don't see how you could find that the publications were maliciously made unless they were made without belief in the truth of them. And if you believe in the truth of them, namely, that this was an infringement, if you believe in the truth of them there is not bad faith in presenting the contentions to the court.

Mr. Hoppe: Your Honor, I wouldn't believe that is so, necessarily. A person can say something truthful maliciously with the intention of hurting somebody, if they know it's true.

The Court: I am thinking out loud on the subject.

Mr. Hoppe: I will use that extreme situation. Say that you say of a woman that she is a prostitute. You could believe that. But still the only reason you would say that in public would be to hurt her. So that statement would be malicious.

The Court: Well, you are expressing the thought I started out to express when I caught myself. I will stand by that. I think it's correct that a person could maliciously charge infringement falsely and still in good faith believe that the charge of infringement is true. [190]

Mr. Hoppe: Yes, sir, I believe so.

The Court: That is not a likely situation, but it's certainly a possible situation.

Mr. Lyon: Well, I think maybe we can clear that up by saying that suppose a patent owner, thinking his patent is being infringed by A, who is a processor and has a process patent, goes to the customer who buys the product and who couldn't possibly be infringing the patent because the patent is on a process. All the customer would do would buy the product of it. And he tells them all that A is infringing the patent and that legitimate businessmen should not do business with him.

There you have a case of malice. I mean, I think that is so. Because he couldn't be suing then. There is no point of giving that notice other than trying to maliciously destroy his business. But that is hardly the case here.

The Court: Oh, I am not suggesting—we are just thinking about possibilities here. What I was about to say, and abandoned, was correct, namely, that it is possible.

Mr. Lyon: Yes. That is why I cited my example.

The Court: So there is nothing inconsistent. I was about to say that and then abandoned it. There is nothing inconsistent in the finding of malice in a false charge of infringement and the finding of good faith or bad faith with respect to the prosecution of the claim. [191]

Mr. Lyon: I wouldn't want to go to the Court of Appeals with it, though. I would be afraid I would come back with a mandate to charge attorneys' fees. That is what I would be afraid of.

The Court: We are speaking about the truth as to the facts and not the question of law involved.

But the bad faith with respect to attorneys' fees deals with the conduct of the litigation, as I understand the rule.

Mr. Lyon: That is why I asked and wanted to know if you wanted to cover that. Your Honor knows better than we do how you viewed the evidence. You know how you viewed the law. As I see it, you were reversed on a square question of disagreement between yourself and the Court of Appeals as to a matter of law, and that is all.

I don't see how these dribs and drabs of discussion about pictures and whether you went to Clark or Dartmouth have anything to do with what this case turned on; not a thing.

The Court: Well, it might turn on whether the defendant acted in good faith in presenting the counterclaim. That's the problem on attorneys' fees, isn't it?

Mr. Lyon: Yes. Well, do you mean squarely whether he believed it was infringed or not?

The Court: What does the rule contemplate?

Mr. Lyon: I beg your pardon? [192]

The Court: What does the rule contemplate on attorneys' fees?

Mr. Lyon: That is what it contemplated. But so much time has been used up by Mr. Hoppe talking about one picture didn't look as good as another, and talking about whether or not your Honor could understand the file wrapper as well as Mr.

Marx did, and was thereby either duped or not duped. And I don't see where those elements involving the facts of this situation enter into it at all.

The Court: As I understand the question of good faith in the matter of attorneys' fees, it's a question of whether the litigant has been acting in good faith in making the defense or in prosecuting the claim.

Mr. Hoppe: I would say that that's right. It's whether the defense or prosecution of the case was extraordinary or whether it was perfectly normal, something of that type. The language of the statute, I believe, is "extraordinary."

Mr. Lyon: "Extraordinary."

Mr. Hoppe: I think the language of the——

Mr. Lyon: "Extraordinary case."

The Court: So the question of the defendant's mental state is all through this litigation on these issues.

Mr. Lyon: Well, my point is that you have decided what his mental state is once. Do you wish me to brief that [193] again, sir? Because I want to brief it if you have any doubt in your mind about changing.

The Court: Have you briefed it once?

I will read what's on file.

Mr. Lyon: Well, I will just duplicate it, if necessary, under the order you have given.

The Court: So it's five, ten, and ten, is that it, for the memorandums?

You don't need to argue the evidence at great

length. You can make your points, if you wish. I think I shall remember the evidence. And I will examine the documents. Most of it has been documentary.

Is there anything further, gentlemen?

Mr. Hoppe: Nothing, your Honor.

Mr. Lyon: No, your Honor.

The Court: Mr. Clerk?

The Clerk: That is all.

Mr. Hoppe: Thank you for the nice hearing, your Honor.

(Whereupon the matter was taken under submission.) [194]

[Endorsed]: Filed April 1, 1957.

PLAINTIFF'S EXHIBIT No. 16

(For Identification)

Paper No. 15

Appeal No. 2,876

MB

Hearing: May 29, 1945

In The United States Patent Office

Mailed June 28, 1945

Before The Board of Appeals

Ex parte Burtt L. Berry

Application for Patent filed July 2, 1941, Serial No. 400,826. Half Tone High-Light Process.

Mr. Henry Gifford Hardy for appellant.

This is an appeal from the decision of the examiner finally rejecting claims 1 to 18, inclusive.

Plaintiff's Exhibit No. 16—(Continued)

Claims 2 and 16 are representative and read as follows:

2. The method of producing half tone screen negatives with closed in dots in the high-light areas for drop-out high-light cuts and prints, which comprises treating the high-light areas only of the photoengravers copy with a fluorescent material adapted to emit an actinic light on said areas, making the exposure by ordinary light through a photoengravers half-tone screen, irradiating the copy, and using the visible light emitted from the fluorescent material on the high-lights for closing in the high-light dots on the screen negative by prolonged exposure of said areas.

16. Copy for the drop-out high-light half tone process characterized in having its high-light areas only coated with a fluorescent material adapted to fluoresce with an actinic light.

The references relied upon are:

Ranck	1,108,849	Aug. 25, 1914
Masa (Br.).....	308,375	June 23, 1930
Murray	2,008,290	July 16, 1935
Murray	2,108,503	Feb. 15, 1938
Marx, Jr.....	2,191,939	Feb. 27, 1940
Marx, Jr.....	2,304,838	Dec. 15, 1942

The appealed claims relate to a method of producing half tone screen negatives with closed in dots in the highlight cuts and prints. It is well known that in half tone prints the white portions of the copy never print exactly white since they con-

Plaintiff's Exhibit No. 16—(Continued)

tain minute dots and the black portions are never entirely black by reason of the presence of small white dots. The present application is concerned with a method for eliminating the small dots in the high-light areas. This is accomplished by treating the high-light areas with a fluorescent material which apparently is done by the artist at the time of making the copy or after the copy has been made. The copy is then exposed in the usual manner to ordinary white light. After the first exposure the copy is additionally exposed to invisible activating rays such as cathode or X-rays. These rays have no effect upon the non-treated portion of the copy but will tend to cause overexposure in the highlight areas, thus closing in the dots which ordinarily appear on the negative.

Appellant has a copending application, Serial No. 400,827 also before us on appeal, the subject matter quite similar to that involved here. Since appellant is relying largely upon the brief filed in said copending case, we shall rely upon our discussion of the prior art in said other decision.

The main references relied upon in this case are the patents to Marx. Marx treats the half portions or the work parts of his copy with water colors or pencils containing substances which will act as absorbents for ultra violet rays. When such copy is exposed to ordinary light the ultra violet portions of said light will be absorbed by the work part of the copy, but the highlight sections or areas not hav-

Plaintiff's Exhibit No. 16—(Continued)

ing any of the absorbent material applied thereto will be reflected upon the sensitive film in the usual way. After this first exposure the half tone screen is removed and the copy is exposed to ultra violet light which is invisible. As stated in lines 53-56, page 2, column 1, a filter is interposed between the light series and the negative elements so as to pass only ultra violet light to the film. Since the ultra violet rays falling on the work part or half tone areas of the copy are absorbed, none will be reflected upon the film but the highlight portions not having any coating of absorbent material will reflect the ultra violet rays and cause the highlight areas to be overexposed, thus eliminating or closing the dots in such portions on the film.

In this case the coating material used in the highlight areas, which when irradiated or activated, glows or fluoresces with light which is of different wave length from ordinary light. Marx on the other hand coats the half tone areas with material which absorbs the ultra violet rays. When this is exposed to white light the usual half tone negative is produced. The second exposure is also with white light but the rays here made passes through a filter which permits only ultra violet rays to pass. Since the rays falling on the half tone areas have been absorbed by the special coating only the highlight portions will be affected by the second exposure.

The examiner does not contend that the appealed claims are met directly by the Marx patents but

Plaintiff's Exhibit No. 16—(Continued)

contends that no invention would be involved in substituting fluorescent material for the coating material disclosed in Marx since this type of material is used in the Masa and Murray patents in reproducing of wood graining and correcting color intensity deficiency in color photography. However, there is no teaching in the prior art that would tend to lead one to make such substitution.

Claims 1 to 15, which are directed to the method of making half tone screen negatives of the type discussed above, are deemed to be patentable over the art cited.

Claims 16, 17 and 18 are directed to a copy especially treated in the making of appellant's half tone negatives. All that these claims call for is a copy having certain portions thereof treated with a fluorescent material. It is obvious that such a product has no utility except in connection with appellant's process. The patents to Marx show that it is old to make up such copy in which part of the design or picture has been given a special coating which is necessary in making his half tone negatives. While it is true that the coating used by Marx is different from that contemplated here, still we are unable to see wherein these claims involve anything of patentable moment.

The decision of the examiner is affirmed as to claims 16, 17 and 18 and is reversed as to the remaining claims.

June 28, 1945.

Plaintiff's Exhibit No. 16—(Continued)

BOARD OF APPEALS,

Henry Van Arsdale,

Assistant Commissioner,

C. H. Shaffer,

Examiner-in-Chief,

V. I. Richard,

Examiner-in-Chief.

PLAINTIFF'S EXHIBIT No. 16-A

(For Identification)

Paper No. 17

Appeal No. 2,876

MB

In the United States Patent Office

Before the Board of Appeals

Mailed September 18, 1945

Ex parte Burt L. Berry.

Application for Patent filed July 2, 1941, Serial
No. 400,826. Half Tone High-Light Process.

Mr. Henry Gifford Hardy for appellant.

ON REQUEST FOR RECONSIDERATION

This is a petition for reconsideration of our decision dated June 28, 1945, with respect to claims 16, 17 and 18.

These claims are for a specially prepared copy for use in half tone printing. The main characteristic of such copy is that the high light portions only are coated with a fluorescent material adapted to fluoresce with an actinic light.

Plaintiff's Exhibit No. 16-A—(Continued)

The Marx patents show a different coating procedure for accomplishing much the same result.

Upon more mature consideration we are of the opinion these three claims should also be allowed especially in view of what we have already conceded to be allowable.

The decision of the examiner is reversed as to claims 16, 17 and 18.

The petition is granted.

September 18, 1945.

BOARD OF APPEALS,
Henry Van Arsdale,
Assistant Commissioner,
C. H. Shaffer,
Examiner-in-Chief,
V. I. Richard,
Examiner-in-Chief.

PLAINTIFF'S EXHIBIT No. 16-B

(For Identification)

Appeal No. 2,945

Paper No. 15

MB

Hearing May 29, 1945.

In the United States Patent Office
Before the Board of Appeals

Mailed June 28, 1945.

Ex parte Burt L. Berry.

Plaintiff's Exhibit No. 16-B—(Continued)

Application for Patent filed July 2, 1941, Serial No. 400,827. Half Tone Drop-Out Process.

Mr. Henry Gifford Hardy for appellant.

This is an appeal from the decision of the examiner finally rejecting claims 1 to 14, inclusive.

Claims 1 and 10 are illustrative and reads as follows:

1. The method of producing half tone screen negatives with closed or substantially closed in dotless high-light areas from copy which comprises providing copy formed over a substratum of fluorescent material adapted to emit an actinic light, and with said substratum left uncovered in the high-lights, photographing the copy through a half tone screen onto a plate in the regular manner and using the light emitted by the bare fluorescent areas to close in the high-light dot structure.

10. Copy for drop-out high-light half tone process characterized in having its high-light areas covered with a fluorescent material.

The references relied upon are:

Ranck	1,108,849	Aug. 25, 1914
Masa (Br.).....	308,375	June 23, 1930
Murray	2,008,290	July 16, 1935
Murray	2,108,503	Feb. 15, 1938
Marx, Jr.....	2,191,939	Feb. 27, 1940
Crosby	2,276,718	Mar. 17, 1942
Marx, Jr.....	2,304,838	Dec. 15, 1942

The appealed claims are directed to a method of making photographic negatives for half tone print-

Plaintiff's Exhibit No. 16-B—(Continued)

ing plates and also to a special type of drawing paper to be used in said process.

It is well known that in making such negatives a half tone screen is interposed between the object and the negative. This screen is usually of glass and has a large number of small lines extending in one direction and another series of lines extending in another direction usually at right angles to the first set. When an object is photographed through such a screen these lines produce dots on the finished negative. In the region of high lights the dots are very small but in the black portions they are very large. As a result of these the portions which should be entirely white in the finished picture are gray as a result of the small black dots and the black portions are not entirely black due to the presence of the small white dots.

Numerous attempts have been made to make what are here called highlight drop-out negatives and this has been accomplished in four general ways fully stated on pages 8 and 9 of the brief. This application is concerned with photographically burning out the highlight areas. This is accomplished by applying a layer of a suitable fluorescent material over the whole surface of the artist's drawing paper. This layer does not change the appearance of the paper. The coloring material in the form of a water paint or pencil tends to mask this layer of fluorescent material, and render it inactive in the black and gray portions. The picture is then exposed to white light to photograph the same through the half tone screen. The light is then shut

Plaintiff's Exhibit No. 16-B—(Continued)

off, the object is irradiated with ultra violet light or X-ray which excites the fluorescent material, which is not covered by the drawing or paint and this tends to burn out by overexposure the highlight portions of the negative so that such portions of the negative will be entirely black. During this second or "closing-in-exposure" the half tone screen may be moved farther from the plate or be moved entirely from in front of the plate.

Appellant contends that only four of the references cited by the examiner relate to the subject of "highlight drop-out". These references are the patents to Ranck, Crosby and the two patents to Marx.

The patent to Ranck discloses a process in which the whole sheet is given an even coating of yellow colored material. The highlight portions of the picture are then coated with an opaque substance such as Chinese white. This is then photographed through the usual half tone screen by the use of white light only and this is applied but once. There is no disclosure of the use of fluorescent material. This process has its disadvantage in that a skillful artist must be employed to apply the opaque material, however, it does effect a burning out of the dots in the highlight portions.

In the Crosby patent the artist impregnates the drawing paper with a colorless solution of para-nitro-phenol. The picture is then drawn and the regions of intermediate tones such as grays have then applied thereto an alkali solution which reacts to produce a yellow stain. The highlight por-

Plaintiff's Exhibit No. 16-B—(Continued)

tions are untreated. Obviously this process requires considerable skill in applying the alkali solution to the desired parts of the picture.

The Marx patents relate to a process of eliminating all dots in the highlight regions by treating the drawing paper with a fluorographic solvent which is colorless but which will absorb ultra violet light. A second exposure is made in which an ultra violet transmission filter is interposed between the light source and the negative element so that in the second exposure only ultra violet light reaches the negative.

While it is true that these four patents disclose processes in which the dots in the highlights are removed, still it is apparent that this is done in a way that is different from that here claimed. The claims directed to the process are quite specific and are deemed to be allowable. Claims 9 to 14, which are directed to the drawing paper or artist's board, which has been given a coating of photophosphorescent material, are deemed to be unpatentable over the art cited, especially the patents to Marx.

The decision of the examiner is reversed as to claims 1 to 8, and is affirmed as to claims 9 to 14.

June 28, 1945.

BOARD OF APPEALS,
Henry Van Arsdale,
Assistant Commissioner,
C. H. Shaffer,
Examiner-in-Chief,
V. I. Richards,
Examiner-in-Chief.

PLAINTIFF'S EXHIBIT No. 16-C

(For Identification)

Appeal No. 2,945

Paper No. 17

MB

In the United States Patent Office
Before the Board of Appeals

Ex parte Burt L. Berry. Mailed Sept. 12, 1945

Application for Patent filed July 2, 1941, Serial
No. 400,827. Half Tone Drop-Out Process.

Mr. Henry Gifford Hardy for appellant.

This is a petition for reconsideration of our
decision of June 28, 1945, with respect to claims 9
to 14, inclusive.

Claims 9 to 12 are directed to a "copy" used
in half-tone reproduction in which the high light
portions are covered with fluorescent material.
Upon reconsideration it is believed that these
claims should be allowed and our former decision
is modified accordingly.

Claims 13 and 14 are still deemed to be too broad
to be allowed. All that these claims call for is a
sheet of drawing paper or the like having a coat-
ing of fluorescent material. To merely add a coat-
ing of any desired material to a sheet of cardboard
clearly does not involve invention.

The rejection of claims 13 and 14 remains un-
disturbed but claims 9 to 12 may be allowed.

This petition is granted to the extent indicated.
September 12, 1945.

Plaintiff's Exhibit No. 16-C—(Continued)

BOARD OF APPEALS,

Henry Van Arsdale,

Assistant Commissioner,

C. H. Shaffer,

Examiner-in-Chief,

V. I. Richard,

Examiner-in-Chief.

PLAINTIFF'S EXHIBIT No. 34

[Excerpt from The Photoengravers Bulletin for
May, 1949.]

Kemart Licensees Liable to Lawsuit

As of March 28, 1949, The District Court of The United States in Los Angeles issued its decision denying the Kemart Corporation of San Francisco the temporary injunction whereby it sought to restrain Printing Arts Research Laboratories, Inc. from bringing patent infringement suit pendente lite against users of the Kemart Process for producing highlight halftones. See case No. 8909-WM in The District Court of The United States, Southern District of California, Central Division, Kemart Corporation vs. Printing Arts Research Laboratories, Inc.

For the Protection . . . of licensees of the Fluorographic Process, and in its own interests, Printing Arts Research Laboratories, Inc. publicly announces its intention to file such a suit as soon as possible. Printing Arts Research Laboratories, Inc., Santa Barbara, California.

Plaintiff's Exhibit No. 34—(Continued)

News Release in Explanation of Our Full Page Ad for May Issue of The Photoengravers Bulletin. By Printing Arts Research Laboratories, Inc. of Santa Barbara, Calif.

It appears that any maker of halftone negatives from wash drawings by the Kemart Process is liable to suit for direct infringement of the Marx Patent No. 2,191,939 owned by Printing Arts Research Laboratories, Inc., one of the basic patents in its Fluorographic Process.

In suit No. 8909-WM pending in the United States District Court at Los Angeles, the Kemart Corporation of San Francisco is charged with contributory infringement of such patent by furnishing to its licensees such equipment and supplies as a special purple lamp and a special illustration board and a so-called "neutralizer" with the intent and purpose that they be used in direct infringement of such patent.

As was reported some time ago, the Kemart Corporation sought an injunction to restrain Printing Arts Research Laboratories, Inc. from notifying or suing Kemart licensees with respect to their operations being direct infringements of the Marx patent. Such injunction was denied on March 28, 1949.

The process of the Marx patent is the one wherein screen pattern is eliminated from the highlight areas of a highlight halftone negative, by means of ultra-violet light, in a supplemental exposure or exposures of the negative to a drawing

Plaintiff's Exhibit No. 34—(Continued)

having an absorbent of ultra-violet light mixed with its pigment.

In this connection W. J. Pensinger, Vice-President of Printing Arts Research Laboratories, Inc. said "Unlike our competitor which has stimulated our patented process, we prefer to try our legal questions in the courts rather than in literary broadsides to photoengravers and lithographers. However, when it is legally advisable, we shall put any Kemart licensee on notice with respect to its or his infringement of our patent. A suit for direct infringement will be instituted against a Kemart licensee very promptly. Our action for contributory infringement against the Kemart Corporation will continue to be vigorously prosecuted."

PLAINTIFF'S EXHIBIT No. 60

November 23, 1948

Memorandum to Kemart Licensees

Gentlemen:

Today Kemart Corporation filed a suit in the Federal District Court in Los Angeles, asking for a declaratory judgment against Printing Arts Research Laboratories, Inc. of Santa Barbara, the owners of the patents of Walter S. Marx, Jr. covering the Fluorographic Process. We filed this action for the purpose of protecting you and ourselves against a series of threats by the representatives and employees of Printing Arts Research Laboratories, Inc., which firm has expressed its opin-

Plaintiff's Exhibit No. 60—(Continued)

ion that the use of the Kemart Process in some way infringes the Marx patents.

Before Kemart was made available to the photoengraving industry, in July of 1947, this patent question was very thoroughly and carefully considered by patent counsel for Kemart Corporation. Issuance of the Kemart patents came only after Kemart had won appeals in the United States Patent Office, in which the Kemart Process was held to be patentably different from the Marx patents. Thus, we hold the well-founded opinion, based upon the decisions of the United States Patent Office, that the owners of the Fluorographic Process are mistaken in their threats and declarations, and we seek to have the Federal District Court order the Fluorographic representatives to stop these threats and declarations.

Not only are the threats and statements made by the defendants false in fact, in our opinion, but we regard them as contrary to the proper spirit of competition which should exist between two organizations endeavoring to render service and supplies to the photoengraving industry. In our sales efforts, and in those of our sales representatives, The Harold M. Pitman Company, The California Ink Co., Inc., the G. C. Dom Supply Company, and Latimer, Limited of Canada, we point out the real merits of the Kemart Process and we sincerely believe that it is superior to all other methods with similar objectives, old and new, including the Fluorographic Process.

Plaintiff's Exhibit No. 60—(Continued)

In our suit, we are asking the Court to grant a preliminary restraining order and permanent injunction against Printing Arts Research Laboratories, Inc., from threatening suits against you or our future licensees, or from in any way asserting that the practice of the Kemart Process infringes the Marx patents. We are also asking damages for these wrongful acts.

We have proceeded in this manner to protect you from all liability by reason of your use of the processes licensed under the Kemart patents. May we ask that whatever comes to your attention, directly or indirectly, that may in any way affect this matter, or any communications or notices you may receive from Printing Arts Research Laboratories, Inc., be forwarded to us promptly.

It is our expectation that the judicial determination of these issues will be brought to trial within the next four months. Meanwhile, you can continue your use of the Kemart Process, and feel secure that all proper steps are being taken.

Cordially yours,

KEMART CORPORATION,

By Frank P. Adams,
President.

PLAINTIFF'S EXHIBIT No. 61

[Harold M. Pitman Co. Letterhead]

December 13, 1948

Kemart Corporation

701 Sansome Street

San Francisco 11, California

Attention: Mr. Frank Adams

Dear Frank:

Thank you very kindly for your letter of December 10th and for the constructive criticism made with regard to our handling of your Process in our Cleveland office. I shall immediately take this up with Mr. Leroy Smith, advising him of the proper amount and quantity of your products which he should carry in stock at all times.

I am sure that you will soon see that such a condition will not repeat itself. You will appreciate, however, that Leroy just moved into his new building and it is somewhat difficult to organize everything and get it running smoothly. This is particularly difficult when new products are constantly being added to our line.

I sense that there is a lot of thinking taking place in your office regarding the proper way to sell Kemart installations and an express of opinion from Harvey and myself will be forthcoming to you within a very short time.

Incidentally, I have heard that the Fluorographic Company has secured an injunction against your firm and although I do not believe the report is true, none-the-less, the rumors are apparently flying.

Plaintiff's Exhibit No. 61—(Continued)

While I know that Harvey would greatly enjoy coming out to San Francisco, I am afraid such a trip will have to be delayed until next summer during the Photo Engravers Convention.

We are enjoying a very healthy business condition right now, although apparently it is not true through the entire line of industry. We, of course, always enjoy increased activity, as general business tends to slip off due to the increase of advertising made by firms in an effort to stimulate sales activity.

With all best wishes and warmest personal regards, I am

Yours sincerely,

/s/ Paul,

Vice President.

PLAINTIFF'S EXHIBIT No. 62

Kemart Corp.

May 18, 1949

701 Sansome Street

San Francisco, California

Gentlemen:

A full page advertisement of the "Printing Arts Research Laboratories, Inc." of Santa Barbara, California appeared in the Photo Engravers Bulletin in the May Issue, notifying licensees of the Kemart Corporation that by using your process we will be liable to a lawsuit for infringement of their patent.

Plaintiff's Exhibit No. 62—(Continued)

We, therefore, cancel our license agreement with you herewith and will ignore all monthly bills rendered by you to us. We paid for the lights and will therefore retain them in our possession.

Yours very truly,

COLUMBIAN LITHOGRAPHING
COMPANY,

/s/ Oscar Kohn,

Oscar Kohn,

OK:lk

President.

PLAINTIFF'S EXHIBIT No. 63

May 23, 1949

Memorandum to Kemart Licensees

Gentlemen:

Kemart Corporation wishes to remind its licensees of the following provisions of your license:

"Kemart agrees to protect Photoengraver (or Lithographer) from all liability by reason of the use hereunder of the licensed patents, provided that in the event of any charge of infringement Photoengraver (or Lithographer) notifies Kemart immediately and aids in the defense by giving factual testimony."

We reaffirm this obligation.

It is important, in order to enable us to properly protect your interests, that you send to us immediately any papers which may be served on you. We stand ready to protect you in accordance with

Plaintiff's Exhibit No. 63—(Continued)

the license, and will furnish a bond protecting any licensee from financial loss in the event of suit.

Cordially yours,

KEMART CORPORATION,

/s/ By Frank P. Adams,

Frank P. Adams,

President.

PLAINTIFF'S EXHIBIT No. 64

[G. C. Dom Supply Co. Letterhead]

Mr. Frank P. Adams

May 25, 1949

Kemart Corporation,
334 Kearny Street,
San Francisco 8, Calif.

Dear Frank:

Glad to receive your telegram and have relaxed, though did not truly believe Fluoro had anything. It would seem that Kemart, backed up by the U. S. Patent Office, is in an unassailable position.

Only one of our customers was sufficiently stimulated by the Fluro blob to call us. He was immediately reassured last week and is further convinced that Kemart is a necessary process to his happiness and well being. In fact, he is seriously considering putting in another set of lamps at the \$25.00 per month rate. No comments from the other three licensees.

Incidentally, we are about to return all outstanding Kemart Lamps other than those already installed in the four licensed shops. We very dearly

Plaintiff's Exhibit No. 64—(Continued)

cherish the thought that the new stronger lamps will soon be on the way to us to replace the present four sets of lamps installed. How about it?

One comment from Dayton Process—how about a special stronger Highlight White for them? Please rush if available.

We are about to do some more work on Louisville Courier Journal tomorrow, using an informal beer party as the means. Again they will probably insist on a representative visit from Kemart.

That's about it for now.

As ever,

/s/ Whit Lamson, Per E. T.

Whit Lamson.

BWL/ET

P.S.—24 copies of "Platemakers Bulletin."

PLAINTIFF'S EXHIBIT No. 65

Kemart Corporation

May 27, 1949

701 Samsome Street

San Francisco 11, California

Attention: Mr. Frank P. Adams, President

Gentlemen:

The official monthly organ of the American Photo Engravers Bulletin has just come to my desk and on opening I was surprised to note on the inside Back Cover that the users of The Kemart Process were to be sued by Printing Arts Research Laboratories, Inc., Santa Barbara, California.

Plaintiff's Exhibit No. 65—(Continued)

This I cannot understand as we contracted for this in good faith and am now reluctant to use the Kemart Process until some understanding is reached.

We have a sizeable investment in this and hope for a speedy settlement of this dispute which has now strangled part of our business and production.

Yours very truly,

/s/ Alex Dempster,

Alex. Dempster,

President, The Eclipse Electrotype & Engraving
Company, Inc.

AD:ek

PLAINTIFF'S EXHIBIT No. 66

Kemart Corporation
334 Kearny Street
San Francisco 8, Calif.

May 27, 1949

Gentlemen:

As agents for the Kemart Corporation, we feel it our duty to notify you of certain attitudes held by your licensees, and ourselves.

The three Kemart licensees in Cincinnati and one in Dayton are very worried about recent articles in the May issue of The Photoengravers Bulletin, wherein appeared an advertisement and article presented by Printing Arts Research Laboratories and threatening patent infringement suits *pendente lite*.

Plaintiff's Exhibit No. 64—(Continued)
cherish the thought that the new stronger lamps will soon be on the way to us to replace the present four sets of lamps installed. How about it?

One comment from Dayton Process—how about a special stronger Highlight White for them? Please rush if available.

We are about to do some more work on Louisville Courier Journal tomorrow, using an informal beer party as the means. Again they will probably insist on a representative visit from Kemart.

That's about it for now.

As ever,

/s/ Whit Lamson, Per E. T.

Whit Lamson.

BWL/ET

P.S.—24 copies of "Platemakers Bulletin."

PLAINTIFF'S EXHIBIT No. 65

Kemart Corporation

May 27, 1949

701 Sansome Street

San Francisco 11, California

Attention: Mr. Frank P. Adams, President

Gentlemen:

The official monthly organ of the American Photo Engravers Bulletin has just come to my desk and on opening I was surprised to note on the inside Back Cover that the users of The Kemart Process were to be sued by Printing Arts Research Laboratories, Inc., Santa Barbara, California.

Plaintiff's Exhibit No. 65—(Continued)

This I cannot understand as we contracted for this in good faith and am now reluctant to use the Kemart Process until some understanding is reached.

We have a sizeable investment in this and hope for a speedy settlement of this dispute which has now strangled part of our business and production.

Yours very truly,

/s/ Alex Dempster,

Alex. Dempster,

President, The Eclipse Electrotype & Engraving
Company, Inc.

AD:ek

PLAINTIFF'S EXHIBIT No. 66

Kemart Corporation
334 Kearny Street
San Francisco 8, Calif.

May 27, 1949

Gentlemen:

As agents for the Kemart Corporation, we feel it our duty to notify you of certain attitudes held by your licensees, and ourselves.

The three Kemart licensees in Cincinnati and one in Dayton are very worried about recent articles in the May issue of The Photoengravers Bulletin, wherein appeared an advertisement and article presented by Printing Arts Research Laboratories and threatening patent infringement suits pendente lite.

Plaintiff's Exhibit No. 66—(Continued)

Your licensees, threatened by possible patent infringement suits, are extremely distressed and fear possible damage to their reputations not only by such threatened suits but by the mere fact that these suits have been threatened.

The effect has been to create confusion, virtually prevent further Kemart promotion by Kemart Licensees to their customers, and completely curtail our Kemart agent sales to prospective Kemart Licensees. The resultant limit to expansion has done definite financial damage. Further, the fear has been expressed by Kemart Licensees that they will be cut off from supplies and will be unable to handle work already in their shops but not yet started.

We urge you to take whatever steps you can to reassure your licensees that they will be protected under the existing patent laws and that the financial damage already done will be righted.

Hoping to hear from you shortly, we are,

Yours sincerely,

G. C. DOM SUPPLY COMPANY,
/s/ Benjamin W. Lamson, Jr.,
Benjamin W. Lamson, Jr.,
Vice President.

BWL/ET

PLAINTIFF'S EXHIBIT No. 67

Kemart Corporation
334 Kearny Street
San Francisco, California

June 6, 1949

Gentlemen:

Since the publication of an advertisement in the May issue of *The Photoengravers' Bulletin* in which Printing Arts Research Laboratories threatened to sue licensees of the Kemart process, we feel a deep distrust and fear of using the Kemart process.

Up until the time we receive from you assurance that we will receive complete protection in the event patent infringement suit should be brought, we will discontinue the use of the Kemart process. Should a suit as heretofore mentioned be successfully pursued against us, it would do us irreparable damage financially and would certainly harm our reputation in the graphic arts industry resulting in a great loss of business to us.

Sincerely,

ADVERTISERS ENGRAVING
COMPANY

also

THE KENAND PHOTO ENGRAV-
ING CO.

/s/ Leonard Dahlman,
Leonard Dahlman,
General Manager.

PLAINTIFF'S EXHIBIT No. 68

Kemart Corporation

June 7, 1949

334 Kearny Street

San Francisco 8, California

Attention: Mr. Frank P. Adams

Dear Mr. Adams:

Will you please return to us our copy of the contract which we signed with your corporation? The question of possible litigation against licensees we want to turn over to our attorney for investigation. We would appreciate having the contract by return mail.

The Kemart system is working very nicely, and I hope we will be able to retain it.

Sincerely,

PACIFIC PRESS INC.,

/s/ King Richardson,

King Richardson,

Manager Photo-Engraving Division.

KR:es

PLAINTIFF'S EXHIBIT No. 69

Mr. Burt L. Berry

June 29, 1949

c/o Kemart Corporations

701 Sansome Street

San Francisco 11, Calif.

Dear Mr. Berry:

We are still very much interested in the use of the Kemart process but, the reason we have not answered Mr. Adams' letter of June 10th is be-

Plaintiff's Exhibit No. 69—(Continued)

cause we are still waiting to hear the results of the infringement patent injunction, issued by the courts, against the Kemart association.

According to the article in the Photoengravers Bulletin a few weeks ago, anyone who used Kemart might be liable for a lawsuit. Possibly you could forward me some information along this line.

Your attention will be appreciated.

Very truly yours,

NASSAU PHOTO-ENGRAVING
CO., INC.,

/s/ Joseph M. Hughes,
Joseph M. Hughes,
Vice-President.

JMH:mm

PLAINTIFF'S EXHIBIT No. 70

Mr. F. P. Adams
Kemart Corporation
334 Kearney St.
San Francisco, Calif.

June 29, 1949

Dear Mr. Adams:

As per our conversation when you were in Fort Worth recently, inasmuch as we have been unable to get the maximum results from the Kemart process, we are hereby cancelling the agreement which we made with your representative, Mr. Olson, and we are returning to you all of the supplies which are unused for credit, and would also appreciate your advising whether the fluorescent paper is to be returned to you or to the Strathmore Company.

Plaintiff's Exhibit No. 70—(Continued)

If and when at some later date that your process is worked out more advantageously we would certainly be considerate of it, and when all litigation has been straightened out, we will be in a more receptive mood. If you are interested in buying the brackets which we had made for your lamps to fit a 24" Robertson darkroom camera, we will be glad to sell them at a nominal sum inasmuch as they are no use to us.

Sincerely yours,

SOUTHWESTERN ENGRAVING
CO., INC.,

/s/ J. W. Murphree,

J. W. Murphree,
President.

JWM:dm

PLAINTIFF'S EXHIBIT No. 71

Henry A. Hardy, Esq.
2610 Russ Building
San Francisco, Calif.

July 2, 1949

Dear Mr. Hardy:

Our client, Strathmore Paper Company, West Springfield, Massachusetts, supplies special paper for the Kemart Corporation.

We understand that Printing Arts Research Laboratories, Inc. is suing or is about to sue.

We wonder if you could give us an appraisal of the position of Printing Arts. By this time you doubtlessly have formed an opinion as to their

Plaintiff's Exhibit No. 71—(Continued)

rights. Strathmore is concerned with what may result, and would like to know of your thoughts on the matter, as would we.

Very truly yours,

ROSS & ROSS,

By Walter C. Ross.

KR:lm

PLAINTIFF'S EXHIBIT No. 72

Mr. Frank P. Adams

July 18, 1949

Kemart Corporation

334 Kearney Street

San Francisco 8, California

Dear Mr. Adams:

As we are about to start on press with our Ninth Production Yearbook, we have received word about the patent dispute in which Kemart is involved. We are sorry to hear of the aggravation that this no doubt has caused you, and hope it will be straightened out quickly and satisfactorily for all concerned.

It puts us in a not too comfortable position legally. We have taken the matter up with our legal consultants and have been strongly advised to omit the editorial material on Kemart until the situation is clarified. Because of the strong stand our lawyers have taken and the fact that we cannot at this time delay a decision, we are following their advice and will accordingly hold the material on Kemart for possible inclusion in the next edition.

Plaintiff's Exhibit No. 72—(Continued)

This is a decision that we deeply regret. We regret it for many reasons—your kind cooperation, the interest our readers would have in the article, our personal enthusiasm for this sort of product, and the fact that, frankly, it's an awful nuisance and expense to make such a change at this late date. But we just have to play it safe. We probably would not be involved in the suit, probably would be in a safe position anyway, but could be annoyed to quite an extent as far as legal and court costs, etc., are concerned.

Of course you will be disappointed to hear that we have made this decision. It is unpleasant but essential that we follow our lawyers' advice. We shall appreciate your keeping us informed so that we can activate this material for the next book as soon as possible.

Cordially yours,

/s/ Edward M. Gottschall,

Production Yearbook.

EMGottschall/ab

PLAINTIFF'S EXHIBIT No. 73

[Letterhead of The Krus Company]

Mr. Frank Adams, President

July 18, 1949

Kemart Corporation

701 Sansome Street

San Francisco 11, Calif.

Dear Mr. Adams:

The terribly long delay in answering your letter

Plaintiff's Exhibit No. 73—(Continued)

of June 28th is only excusable by the fact that I have been at home ill with a bad leg and these matters have been left for my attention upon my return to the office. As you may suspect, a great many things were waiting for me upon my return.

Through the cooperation of The Harold M. Pitman Co. and their Mr. Scotty Heyes, we were able to overcome some of our problems in trying to make Kemart a practical working tool in our Engraving Dept. We still are unable to get the speed we feel should be part of a practical commercial proposition; but, at any rate, we have overcome some of the unseemly slowness we first encountered.

We have made no commercial use of the process and have not publicized it with our accounts whom we feel would be most likely to be users. This is for several reasons. One, we are not licensed to use the process with you at this time. Two, we were much disturbed over the litigation which appeared to be imminent between the Kemart Corp. and the Printing Arts Research Corp., who are the patentees of the Fluorographic Process.

We have not been advised as to the outcome of this litigation. All we know is that publicly printed material appeared which threatened suit against anyone using the Kemart process in their plant. Naturally, we had no desire to become involved in a three cornered dog fight. We have not been advised that this situation has changed at this writing.

I would be pleased to hear from you in regard

Plaintiff's Exhibit No. 73—(Continued)
to this matter at your earliest convenience so that
we can come to a final decision in this matter.

Very truly yours,

/s/ Victor Schwarze,
Victor Schwarze,
Vice President.

VS:dg

PLAINTIFF'S EXHIBIT No. 74

[Excerpt from The Photoengravers Bulletin for
June 1950.]

News item!

New Date Set for Trial of Patent Suit Between
Fluorographic and Kemart.

Los Angeles, June 1.—October 17, 1950 is the newly set trial date for the suit in the United States District Court at Los Angeles in which the Kemart process of making highlight halftone negatives is charged to infringe the Fluorographic patent (U.S. 2,191,939) owned by Printing Arts Research Laboratories, Inc. Today, Mr. William J. Pensinger, Vice-President of Printing Arts Research Laboratories, said: "Our suit in the United States District Court in Chicago against the Wallace-Miller (Engraving) Company, as a representative user of the Kemart process, has not yet been set for trial, but we have every reason to believe that it will be tried well before the end of this year." Fluorographic Sales Division, Printing Arts Research Laboratories, Inc., Santa Barbara, California.

PLAINTIFF'S EXHIBIT No. 75

Mr. Frank P. Adams, President
Kemart Corporation
334 Kearny St.,
San Francisco 8, California

Dear Mr. Adams:

The last word I have had from our attorneys is that we had better wait until your suit is settled before doing anything with the Kemart equipment. Much as we might want to use it, we have left it in the boxes in which it was shipped.

Would you like to have us return the equipment and supplies to you or shall we keep it in the boxes until the suit is settled? I will leave the decision to you. Even the possibility of an escrow agreement was ruled out by Mr. Hamlyn and Mr. Kilgore.

We had another inquiry the other day from a customer who was interested in using Kemart but we had to tell him that as yet, we cannot use it. No doubt, such inquiries will gladden your heart.

Please advise as to the disposition of the equipment.

Yours very truly,

/s/ Ralph A. Van Camp,
Ralph A. Van Camp,
Manager, Bee Engraving.

September 8, 1950

RAV:vlv

DEFENDANT'S EXHIBIT NN

[Excerpt from The Photoengravers Bulletin for
December 1948]

Kemart Corporation, San Francisco. Word has been received that on November 23, 1948, Kemart Corporation filed a suit in the Federal District Court in Los Angeles, asking for a declaratory judgment against Printing Arts Research Laboratories, Inc., of Santa Barbara.

The suit asked that the court grant a preliminary restraining order and permanent injunction against the defendant firm, which licenses the Fluorographic Process, from threatening suits for patent infringement against Kemart Corporation's licensees or potential licensees, and from in any way asserting that the Kemart Process is an infringement of the Marx patents; Kemart also asks damages for defendant's alleged wrongful acts and doings.

Kemart Corporation has sent to its licensees a letter commenting on this suit, which we quote as follows:

"Today Kemart Corporation filed a suit in the Federal District Court in Los Angeles, asking for a declaratory judgment against Printing Arts Research Laboratories, Inc., of Santa Barbara, the owners of the patents of Walter S. Marx, Jr. covering the Fluorographic Process. We filed this action for the purpose of protecting you and ourselves against a series of threats by the representatives and employees of Printing Arts Research

Defendant's Exhibit NN—(Continued)

Laboratories, Inc., which firm has expressed its opinion that the use of the Kemart Process in some way infringes the Marx patents.

“Before Kemart was made available to the photo-engraving industry, in July of 1947, this patent question was very thoroughly and carefully considered by patent counsel for Kemart Corporation. Issuance of the Kemart patents came only after Kemart had won appeals in the United States Patent Office, in which the Kemart Process was held to be patentably different from the Marx patents. Thus, we hold the well-founded opinion, based upon the decisions of the United States Patent Office, that the owners of the Fluorographic Process are mistaken in their threats and declarations, and we seek to have the Federal District Court order the Fluorographic representatives to stop these threats and declarations.

“In our suit, we are asking the Court to grant a preliminary restraining order and permanent injunction against Printing Arts Research Laboratories, Inc. from threatening suits against you or our future licensees, or from in any way asserting that the practice of the Kemart Process infringes the Marx patents. We are also asking damages for these wrongful acts.

“Not only are the threats and statements made by the defendants false in fact, in our opinion, but we regard them as contrary to the proper spirit of competition which should exist between two organizations endeavoring to render service and sup-

Defendant's Exhibit NN—(Continued)

plies to the photoengraving industry. In our sales efforts, and in those of our sales representatives, The Harold M. Pitman Company, California Ink Co., Inc., the G. C. Dom Supply Company, and Latimer, Limited, of Canada, we point out the real merits of the Kemart Process and we sincerely believe that it is superior to all other methods, with similar objectives, old and new, including the Fluorographic Process.

“We have proceeded in this manner to protect you from all liability by reason of your use of the processes licensed under the Kemart patents. May we ask that whatever comes to your attention, directly or indirectly, that may in any way affect this matter, or any communications or notices you may receive from Printing Arts Research Laboratories, Inc., be forwarded to us promptly.

“It is our expectation that the judicial determination of these issues will be brought to trial within the next four months. Meanwhile, you can continue your use of the Kemart Process, and feel secure that all proper steps are being taken.”

DEFENDANT'S EXHIBIT OO

[Excerpt from Editor and Publisher for April 8, 1939.]

* * * * *

Mr. Marx's technical training has been unusually comprehensive. It includes, after specialized training at eastern universities, post graduate work in spectral analysis and physical chemistry. He owns

Defendant's Exhibit OO—(Continued)

an exceptionally extensive chemistry library. He has also worked as a journeyman engraver in several departments of photoengraving shops. He formerly owned a large photographic studio for advertising illustrations. * * * * *

DEFENDANT'S EXHIBIT RR

Albert G. McCaleb (Copy)

3705 The Field Building, Chicago 3

October 6, 1948

Printing Arts Research Laboratories, Inc.

San Marcos Building

Santa Barbara, California

Gentlemen:

Re: Your Marx Patent No. 2,191,939 dated February 27, 1940 and its infringement by the

Kemart process of making half-tone negatives.

Pursuant to your recent request, I have reviewed your above identified patent, and the application therefor, and have familiarized myself with the above mentioned Kemart process, to determine whether or not such process infringes such patent.

My conclusions, tersely stated, are as follows:

(1) Anyone who practices the Kemart process infringes several claims of your patent aforesaid.

(2) The Kemart Corporation, sponsor of the Kemart process, is contributorily infringing such patent when it furnishes infringers thereof with supplies, equipment and instructions facilitating their practice of such Kemart process.

Defendant's Exhibit RR—(Continued)

(3) Nothing in either the history of the application for your said patent or any prior art patent or publication which has come to my attention casts any doubt upon the validity of such patent or any of the claims thereof; I believe your said patent will be adjudged valid, and that its claims will be accorded substantial scopes, if it is subjected to the test of litigation.

The Kemart process, in which is employed the so-called Kemart neutralizer (a material absorptive of ultra-violet light) is but a variation of the fluorographic process as disclosed in your subject patent,—a variation of the fluorographic process which plainly falls within and is covered by a number of the patent claims. Even if the Kemart neutralizer were not absorptive of ultra-violet light, the Kemart process would still infringe your herein discussed patent, and more particularly claim 12 thereof; but since such neutralizer is in fact absorptive of ultra-violet light, infringement of several additional claims of the patent by the Kemart process is abundantly clear.

I recommend that all users of the Kemart process, in so far as you are able to identify them, be notified of the existence of your aforesaid patent No. 2,191,939, its nature and coverage, and their infringement thereof.

Yours very truly,

/s/ Albert G. McCaleb,
Albert G. McCaleb.

[Endorsed]: No. 15638. United States Court of Appeals for the Ninth Circuit. Kemart Corporation, a corporation, Appellant, vs. Printing Arts Research Laboratories, Inc., a corporation, Appellee. Transcript of Record. Appeal from the United States District Court for the Southern District of California, Central Division.

Filed: July 22, 1957.

Docketed: July 22, 1957.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for
the Ninth Circuit.

In the United States Court of Appeals
for the Ninth Circuit

No. 15638

KEMART CORPORATION,
Plaintiff-Appellant,
vs.

PRINTING ARTS RESEARCH LABORA-
TORIES, INC.,
Defendant-Appellee.

STATEMENT OF POINTS ON APPEAL

The points upon which plaintiff-appellant intends to rely on appeal are as follows:

1. The District Court erred in making Findings of Fact 1-D, 2, 4, 5, 6, 7, 8, 10, 11, 12, 14 and 15.

2. The District Court erred in making Conclusions of Law 6 and 11.

3. The District Court erred in adjudging that plaintiff take nothing by its claim and that said claim be dismissed.

4. The District Court erred in adjudging that plaintiff receive no award of attorneys' fees.

5. The District Court erred in adjudging that plaintiff shall bear its own costs in respect to proceeding subsequent to the last issued mandate of the Court of Appeals for the Ninth Circuit.

6. The District Court erred in failing to make findings of fact containing the substance of the proposed findings presented on pages 1 to 14, both inclusive, of plaintiff's Motion to Amend Findings of Fact and Conclusions of Law, to Make New Findings and Conclusions and for the Entry of a New Judgment, said proposed findings being incorporated herein by reference.

7. The District Court erred in failing to make conclusions of law incorporating the substance of the proposed conclusions of law presented on pages 14-17 of plaintiff's said motion, said proposed conclusions of law being incorporated herein by reference.

8. The District Court erred in failing to enter judgment in accordance with the proposed paragraphs contained at pages 17 and 18 of plaintiff's said motion, said proposed paragraphs being incorporated herein by reference.

9. The District Court erred in overruling plaintiff's Motion to Amend Findings of Fact and Con-

clusions of Law, to Make New Findings and Conclusions and for the Entry of a New Judgment.

10. The District Court erred in denying plaintiff's motion under Rule 60(b) to vacate and set aside the final judgment entered against plaintiff on December 20, 1956.

11. The District Court erred in failing to determine that the conduct of defendant was forbidden by the Convention of the Union of Paris of March 20, 1883 for the Protection of Industrial Property, as amended in London in 1934 (53 Stat. 1780), particularly Article 10 Bis thereof, which particularly forbids "false allegations in the conduct of trade of a nature to discredit the establishment, the goods or the services of a competitor."

12. The District Court erred in determining that the Convention for the Protection of Industrial Property of the Union of Paris [53 Stat. 1748 (1934)] does not, absent effectuation thereof by the Congress, eliminate the defense of privilege, good faith and absence of malice permitted by the law of Ohio.

13. The District Court erred in determining that the law of Ohio, as interpreted in *Int'l Industries & Developments, Inc. v. Farbach Chemical Co.*, 241 F. 2d 246 (6th Cir. 1957), affirming 145 F. Supp. 34 (S. D. Ohio 1956), must be held to accord a patentee the qualified privilege to publish a charge of patent infringement to other interested persons, even though the charge later proves to be false, if the patentee reasonably and in good faith believes the charge to be true, and the charge was not

prompted by malice, but was made solely in defense of his patent.

14. The District Court erred in failing to determine that the conduct of defendant was forbidden under the rule of *International Indus. & Develop. v. Farbach Chem. Co.* (6th Cir. 1957) 241 F. 2d 246.

/s/ HENRY GIFFORD HARDY,

/s/ CARL HOPPE,

Attorneys for Plaintiff-Appellant.

[Endorsed]: Filed August 9, 1957. Paul P O'Brien, Clerk.

[Title of Court of Appeals and Cause.]

STIPULATION

It Is Hereby Stipulated, subject to the approval of the Court, that the printed record in Appeals Nos. 12,948, 13,601 and 14,299, including the books of exhibits, may be considered by the Court on this appeal without the necessity of reproduction.

Dated this 19th day of August, 1957.

/s/ CARL HOPPE,

Attorney for Plaintiff-Appellant.

LYON & LYON,

/s/ By LEONARD S. LYON, JR.,

Attorneys for Defendant-Appellee.

It Is So Ordered this 19th day of August, 1957

/s/ ALBERT LEE STEPHENS,

Chief Judge.

[Endorsed]: Filed August 20, 1957. Paul P O'Brien, Clerk.